

June 23, 2008

## 2008 – Uranium Equities

### Fewer Players In The Field

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

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# Investment Thesis

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## **Purpose Of This Report**

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

In addition to commentary on our active coverage, we have included general descriptions and summaries of those uranium companies that we feel have significant potential for growth and technical success, but are not currently under official coverage. We provide these for informational purposes only.

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## **The Investment Thesis Has Not Changed... In Fact, It May Be Getting Better**

The growing demand for power and the realization of energy portfolio management, including environmental emission concerns and overweight reliance on fossil based fuel, has returned nuclear generated power to the top of the public policy agenda with aggressive reactor build campaigns 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 2010/13. 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 could drive the market into an immediate deficit position.

Though uranium is not in short supply globally, uranium extraction remains the most highly regulated mining environment in the world, and as a result, 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 370 Gwe p.a. to in excess of 740 Gwe, an increase of +200%. Currently there are 439 reactors in operation with 36 under construction, 93 in the planning phase and 218 proposed. This is an increase of 1% for new operational reactors, 30% for new reactor construction, 45% increase in the planned and 40% increase for proposed reactors compared with statistics released by the WNA 12 months ago. We continue to see additional proposals weekly for new reactors and as such continue to believe that we are in the very early innings of the nuclear renaissance.

Based upon current estimates, global uranium demand could top 350 MMlbs within the next 20 years. Current world demand is approximately 180 MMlbs 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 continue to be inelastic.

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

**2007 Was difficult – 2008  
Will Be About Picking Your  
Spots**

**Investment In  
Fundamentally Sound  
Mining Companies – Avoid  
Speculation**

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/first half 2008 has been about traversing commodity speculation, massive negative equity moves and the lack of execution by many of the developing producers. We have watched the uranium price run up to \$136/lb only to fall to \$57/lb as a result of increased US inventories, available material to borrow showing up on the market and the short-mid term disappearance of true demand being replaced by discretionary buying.

We consider uranium a commodity like any other and as such investment should be focused on the companies with economic, developable assets that demonstrate the ability to generate a reasonable return on investment.

The key names discussed in this report, for the most part, remain the same names discussed over the last four years by the Cormark mining team. Over the last two years, we have witnessed capex over runs, production delays, production failures, consolidation and massive equity depreciation associated with the retreat of the commodity. In many cases these hurdles have been overcome and we are seeing operations ramp to near full production as the uranium price searches for a bottom. Selective investment in the uranium sector over the next 12-24 months should provide reasonable returns and position the investor for the lead up to an undersupplied market entering into 2011 and beyond. Investment and development must continue in the sector if nuclear growth is to continue. As such, we expect that utilities will continue to purchase material at these levels in an attempt to provide the developer with established margins facilitating new production growth in the industry. Further decreases in the uranium price will lead to closures and deceleration of new development. On the spot market, we are approaching our calculated marginal costs of production, and as such we anticipate stabilization at or near these levels.

Figure 1 Peer Group Tabulation

In US\$ unless otherwise noted		CAPITALIZATION					PRODUCTION				RESERVES & RESOURCES				VALUATION AND TARGET							
		Symbol (TSX)	Share Price (CDN\$)	Market Cap. (C\$ MM)	Cash (\$ MM) Q3/07	Debt (\$ MM) Q3/07	Enterprise Value (\$ MM)	Prod. 2008E (MMlbs)	Prod. 2010E (MMlbs)	Est. Cash Cost (\$/lbs)	EV/2008E Prod. (\$/lbs)	Reserves (MM lbs)	Total Resource (MM lbs)	EV/Reserves (\$/lbs)	EV/Resv + M&I Resc (\$/lbs)	Estimated CFPS (\$/share)	P/CFPS Multiple 2009E	P/E Multiple 2008E	Target Price (C\$/share)	Net Asset Val (C\$/share)	P/NAV Multiple	Recommendation
June 22, 2008																						
GROUP I	Uranium Participation Corp ♦	U	\$8.55	643	3	0	640	0.0	0.0	0.00	0	5	4	0.00	0.00	0.00	0.0x	0.0x	NA	7.75	1.1x	NR
	Cameco	CCO	\$37.90	13,936	132	713	14,517	20.0	21.7	12.00	728	513	625	28.30	12.76	1.92	19.7x	28.1x	33.25	29.19	1.3x	Mkt Prf
	Denison ♦	DML	\$6.97	1,340	7.1	21	1,355	2.1	3.2	27.20	661	13	60	104.21	18.56	0.42	16.6x	87.1x	10.25	6.78	1.0x	Buy
	Paladin	PDN	\$5.27	3,758	417	1,044	4,385	2.6	6.9	22.07	1,713	45	259	97.45	14.43	0.30	17.6x	22.0x	6.60	4.22	1.2x	Top Pick
	Uranium One ♦	UUU	\$4.11	1,921	160	159	1,920	2.4	5.8	17.37	797	56	446	34.29	3.83	0.25	16.4x	31.6x	3.80	3.83	1.1x	Reduce
<b>Average (Group I)</b>									<b>19.7</b>	<b>975</b>				<b>66.06</b>	<b>12.39</b>		<b>17.6x</b>				<b>1.2x</b>	
GROUP II	Western Prospector ♦	WNP	\$0.72	42	24	0	18	0.0	0.0	0.00	0	23	53	0.00	0.23	0.00	0.0x	0.0x	NR	NR	NR	NR
	Ur-Energy ♦	URE	\$1.92	194	76	0	118						31	0.00	3.80	0.00	0.0x	0.0x	3.25	3.23	0.6x	Buy
	Bannerman Resources ♦	BAN	\$1.86	274	21	0	253	0.0	0.0	11.00	0	0	75	0.00	3.38	0.00	0.0x	0.0x	5.00	4.97	0.4x	Buy (S)
	UEX *	UEX	\$3.65	709	43.1	0	666						134	0.00	4.97				7.75	5.75	0.6x	Buy(S)
	Aurora Energy * ♦	AXU	\$3.48	269	120.8	0	148						134	0.00	1.11				5.90	5.10	0.7x	Buy(S)
<b>Average (Group II)</b>								<b>5</b>	<b>0</b>					<b>0.00</b>	<b>2.46</b>		<b>0.00</b>					<b>0.5x</b>
GROUP III	Strathmore	STM	\$1.52	116	2.9	0	113						50	0.00	2.27				NR	NR	NR	NR
	Forsys Metals Corp	FSY	\$4.28	385	49.4	0	336						31	0.00	10.83				NR	NR	NR	NR
	Laramide ♦	LAM	\$3.81	249	2.2	0	246						59	0.00	4.18				NR	NR	NR	NR
	Mega Uranium	MGA	\$2.24	465	69.1	0	395						47	0.00	8.36				NR	NR	NR	NR
	Cash Minerals ♦	CHX	\$0.25	37	0.6	0	37						0	0.00	0.00				NR	NR	NR	NR
	Titan Uranium	TUE	\$0.53	34	11.8	0	22						0	0.00	0.00				NR	NR	NR	NR
	Strateco Resources ♦	RSC	\$2.10	258	15.0	0	243						4	0.00	0.00				NR	NR	NR	NR
	Fission Energy ♦	FIS	\$0.46	21	7.5	0	13						24	0.00	0.55				NR	NR	NR	NR
	Mawson Resources	MAW	\$0.90	41	13.9	0	27						19	0.00					NR	NR	NR	NR
	Uranium Resources	URRE	\$2.57	146	5.2	0	141						49	0.00	2.87				NR	NR	NR	NR
	First Uranium ♦	FIU	\$7.04	947	164.7	100	882						7	0.00	126.20				NR	NR	NR	NR
	Khan Resources	KRI	\$0.79	48	32.1	0	15						64.3	0.00	0.24				NR	NR	NR	NR
	U3O8 Corporation ♦	UWE	\$0.67	17	22.6	0	-6						0.0	0.00	0.00				NR	NR	NR	NR
<b>Average (Group III)</b>														<b>0.00</b>	<b>22.13</b>							<b>NR</b>

♦ During the past 24 months, Cormark 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

\* Cormark estimates

Source: Company reports, Cormark Securities Inc.

## Uranium Fundamentals

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### **Overdone In The Short Term – Market Fundamentals Point To Longer-Term Appreciation.**

Uranium prices finally bottomed in 2001 at \$7.10 per pound after a 20-year decline and now look set for strengthening over the next 20 years. Uranium soared to a 30-year high, hovering above \$130 per pound in 2007, propelled by a short-term market deficit, purchasing by majors covering long-term contracts, the visibility of low volume auctions and the entrance of speculators into the market. In late 2006, it was not uncommon to see the uranium price move \$2/week, a level not witnessed before and certainly not sustainable. It is almost universally agreed that the supply imbalance post 2011 could drive the price to new highs in an attempt to establish new investment and facilitate new production; however, the enthusiasm by investors and speculators took the price too far, too fast, leading up to the inevitable correction witnessed over the last year. Our thesis remains that the uranium market will more or less be in balance through 2011, However, those 36 reactors that are in construction and the 93 proposals for reactors will require significant new uranium production to enter the market over the next 10 years.

### **Putting The Last Three Years Into Perspective**

The initial McArthur River flood and Olympic Dam fire pre-2004 set the early stage for utility concern regarding the scarcity of supply and the under investment in the uranium mining industry. During this time the commodity began to appreciate, utilities began to rebuild inventories back to sustainable levels, the investors and speculators entered the equation as hedge funds began to purchase the commodity directly, and investment vehicles were formed. This upward pressure was amplified by the flood of Cigar Lake in 2006 and the possibility that 18 MMLbs p.a. could be lost from the market for the next three-five years. Around this time, small US producers began to auction small volumes of material monthly. This provided a barometer to the fury of investment activity and pushed producers short of material to reach to new levels in an attempt to secure supply for delivery into contractual obligations while in direct competition with investors and utilities.

During this period utilities continued to exercise all upward flex on their long-term contracts, thus pressuring producers to find alternative sources of supply in an attempt to meet delivery requirements. Since 2003, we have seen US utilities increase inventories from approximately 44 MMLbs to 62 MMLbs-65 MMLbs by the end of 2005. By the end of 2006, the WNA suggests that global utilities held in excess of 250 MMLbs of material in inventory or essentially 1.5 years of supply. When added with the material the WNA estimates is held by the producers and the enrichers this could increase to over two years of supply, based upon our supply and demand model. As such, 2007 moved to a period of correction and discretionary buying. This was further impacted by the shut down of TEPCO's Kashiwazaki and Kariwa nuclear facility in July of 2007. 17.5% of Japan's nuclear power supply came off line when its seven reactors were shut following a large earthquake in the region. This shut down has reduced short-term demand by approximately 2.5 MMLbs-2.75 MMLbs p.a. and resulted in the surplus in the market witnessed in 2007. It is speculated that much of this material was loaned in the short term. We anticipate that strength will return to the market when these volumes are covered. It has been suggested that these plants will be operational again by 2009.

We have yet to see China participate in a meaningful way in the uranium industry. Currently the country has 11 operating reactors; however, seven are under construction, 24 are planned and an additional 76 have been proposed. This level of development is three times that of the next developing participant, Russia, who currently has 31 operating, 7 under construction, 10 planned and 25 proposed. We expect that this demand

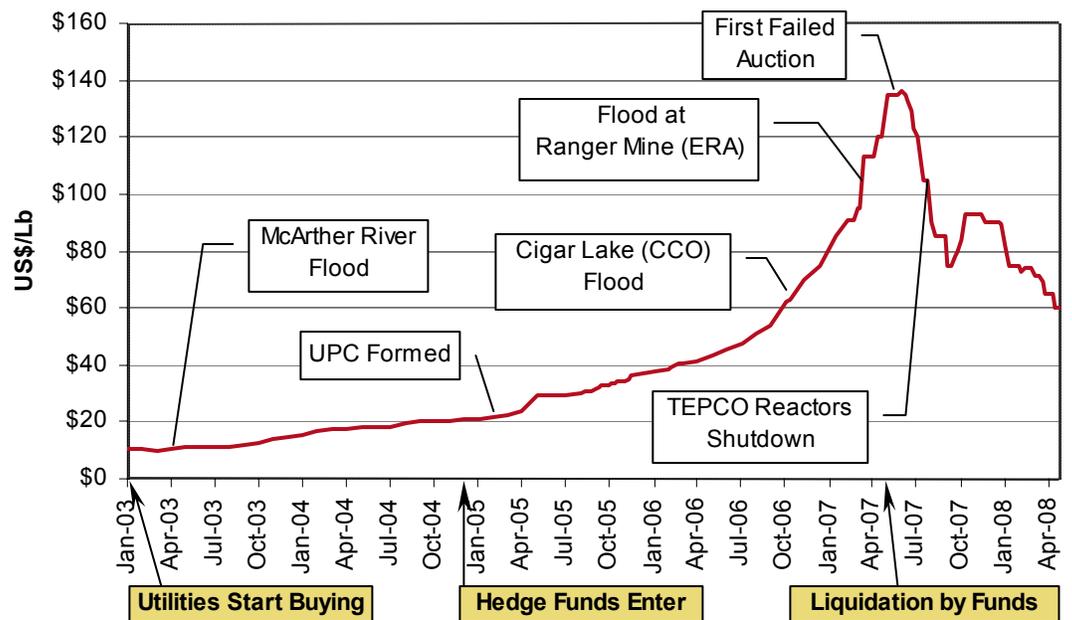
will come to fruition and be one of the dominant drivers in the industry over the next 10-20 years.

**Figure 2** **Historic Uranium Price**



Source: UxC Consulting, Cameco, Trade Tech and Cormark Securities Inc. estimates

**Figure 3** **Timeline Of Major Events Using Historical Uranium Price**



Source: UxC Consulting, Cameco, Trade Tech and Cormark Securities Inc. estimates

**Why We Think The Commodity Is Bottoming At These Levels (\$55/lb-\$60/lb)**

Over the last few months a number of industry events lead us to believe we are seeing the potential bottoming of the uranium market at or near these levels.

- The entrance of two potential buyers for Nufcor International, Anglo's uranium marketing wing. The leading bid is thought to be a utility. This is the first time that we have witnessed a utility consider backward integration within the fuel cycle. This suggests that future security of supply is becoming increasingly important. We await the outcome of this process.
- The liquidation/lending of TEPCO's inventories has reduced demand and provided material for loan on the market. The reactors are expected to be back online in 2009, at which time that demand will return. We expect market conditions to improve as the borrowed material is covered.
- We have seen a material increase in spot volumes at current levels. So far in 2008, we have seen almost 13 MMlbs of material in various forms transact in the market vs 18.8 MMlbs total in 2007.
- A key global trader, as a result of financial considerations, has been forced to indiscriminately sell material on the market over the last six months. These sales have been driven by capital requirements and not market fundamentals. This material is drying up and not impacting the spot market to the same degree it was previously.
- In the first quarter of this year, we saw marginal improvement in production from UUU's Dominion operation in South Africa. This mine remains challenging, however, upwards of 5 MMlbs is expected from this operation without considering any production from a potential phase 2 or phase 3 expansion. With the power shortages continuing in the country, lower grade tailings supplementing the throughput at the operation, continued production delays could be expected and this material not available to the market. In the first quarter, the Company also placed its 100% owned and permitted Honeymoon operation up for strategic review. This operation is already one year behind schedule and now looks like it is shelved.
- URRE (OTCBB), an ISL producer in Texas, reported production costs in Q1/08 at \$51/lb up from \$47/lb, the quarter previously. We suggest that these are very close to our calculated marginal cost of production. A further decrease in the commodity price will start to impact the scale of development in the industry.
- AngloGold Ashanti Ltd., Africa's biggest uranium and gold producer, said it is rescheduling some of its uranium sales contracts because unreliable electricity supplies in South Africa may hamper output. Power supplies in South Africa were cut for almost a week in January amid a nationwide power shortage, reducing production from some of the world's largest precious-metal mines, including those where uranium is extracted as a by-product. Since restoring power, the state-owned utility has limited the amount of electricity industrial customers may use and has warned that shortages will persist until about 2012. It has been suggested that Anglo may need upwards of 600 Mlbs to meet its delivery requirements. We view this as real demand returning to the markets.

**We Maintain Our Long-term \$55 Uranium Forecast**

In our previous work, Cormark 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 MMlbs-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.

Our revised uranium forecast is presented below. We have revised our 2008, 2009 and 2010 spot price estimates to \$65/lb, \$75/lb and \$80/lb respectively from \$110/lb, \$100/lb and \$100/lb previously. We have revised our term price estimates to \$85/lb through 2016, at which time we revert to our long-term estimate of \$55/lb for all contracting segments. The opportunity exists that the uranium price could continue to act in “boom and bust” cycles observed over the last two years. As such, it is conceivable to see a number of short-term runs in the commodity; however, these will be driven by speculator participation in the space and not true fundamental demand in the short term. We expect steady appreciation; however, as we move towards the period of undersupply in 2012/13 – with the demand appearing in the market a couple of years earlier.

**Figure 4 Uranium Price (\$)**

		2003	2004	2005	2006	2007	2008	2009	2010	2011	LT (2016)
<b>Spot</b>	Revised	13.6	18.6	29.0	47.6	100.1	65.0	75.0	80.0	80.0	55.0
	Previous						110.0	100.0	100.0	100.0	55.0
<b>Term</b>	Revised						85.0	85.0	85.0	85.0	55.0
	Previous							80.0	80.0	80.0	55.0

Source: Cormark Securities Inc. estimates

**Cigar Lake – An Update**

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 five years. The mine flooded on October 23, 2006, as 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 18 MMlbs U3O8 over a three to four year period.

Cameco has established a five-phase remediation plan and suggests that production could be expected in the fourth quarter of 2011. The CNSC has to approve each phase of remediation. To date, the Company has completed phase 1 and cemented the area of inflow and reinforced areas of weakness in the area of the collapse. The Company is now testing the strength of the seal through draw down of the water level. As each phase of remediation must be studied and approved by the CNSC, we anticipate that the potential for further delays is great. We have assumed production in 2013, which implies that almost 20 MMlbs of production will not be in the market as modelled by the WNA in their production forecast. Cigar Lake is one of the largest and highest-grade projects in development globally. We fully expect production, just not in the time frame expected.

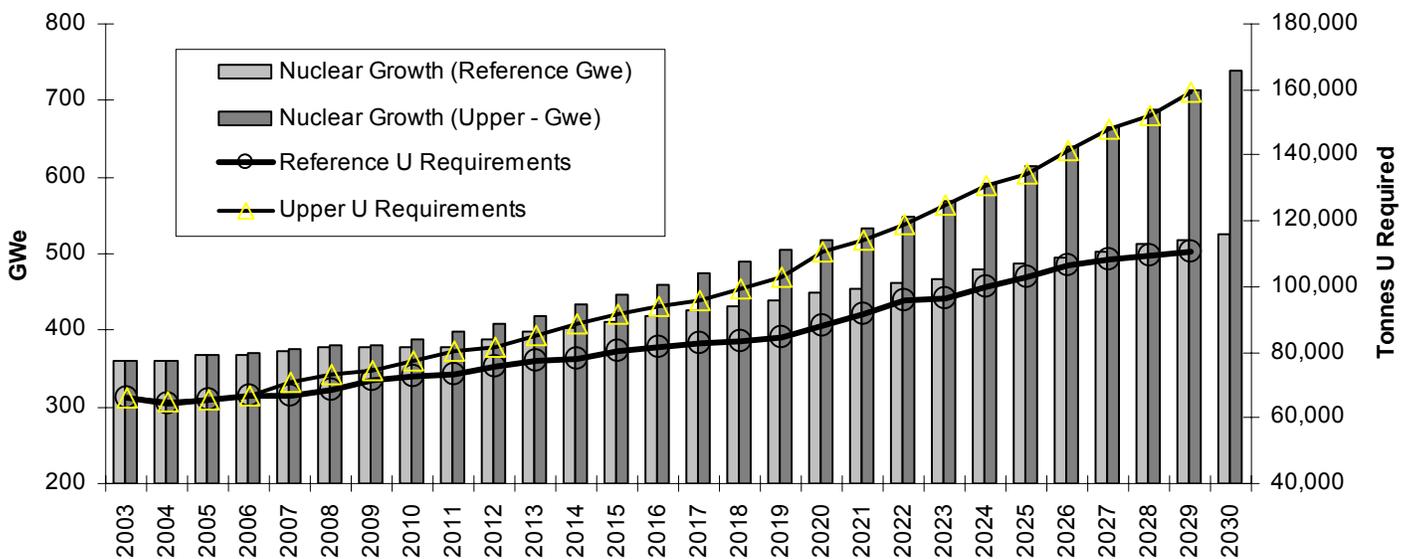
**Demand**

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 2000/30.

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).

When considering demand for uranium, it is important to be aware of both the short term and longer-term fundamentals. Our analysis suggests that 2005 through 2007 was a period of restocking by utilities and participation by speculators. Through exercising upward flex on contracts, the demand grew placing the market into a deficit position; 2.1 MMlbs in 2005, 9.3 MMlbs in 2006, and 11.5 MMlbs in 2007. As utilities have returned inventories to sustainable levels in the short term, we anticipate a balanced market through 2008 and 2009 with a surplus of approximately 1 MMlbs-1.5 MMlbs emerging in 2009. However, the impact of new demand starts to hit the market in 2010 as we move back into a deficit position, with demand growing to 71.5 M tonnes of uranium extending to 80 M tonnes by 2015. We are modeling a deficit market condition of approximately 3.5 MMlbs in 2010, assuming that Dominion continues to have production issues, Honeymoon remains shelved, and there are continued delays with new US-based ISL production. The long-term demand suggests, based upon the WNA reference case, we will need at least a doubling of global production in the next 30 year to meet base requirements. Uranium is plentiful, it’s the permitting and technical execution of production that will limit development.

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



Source: World Nuclear Association and Cormark Securities Inc. estimates

**Supply**

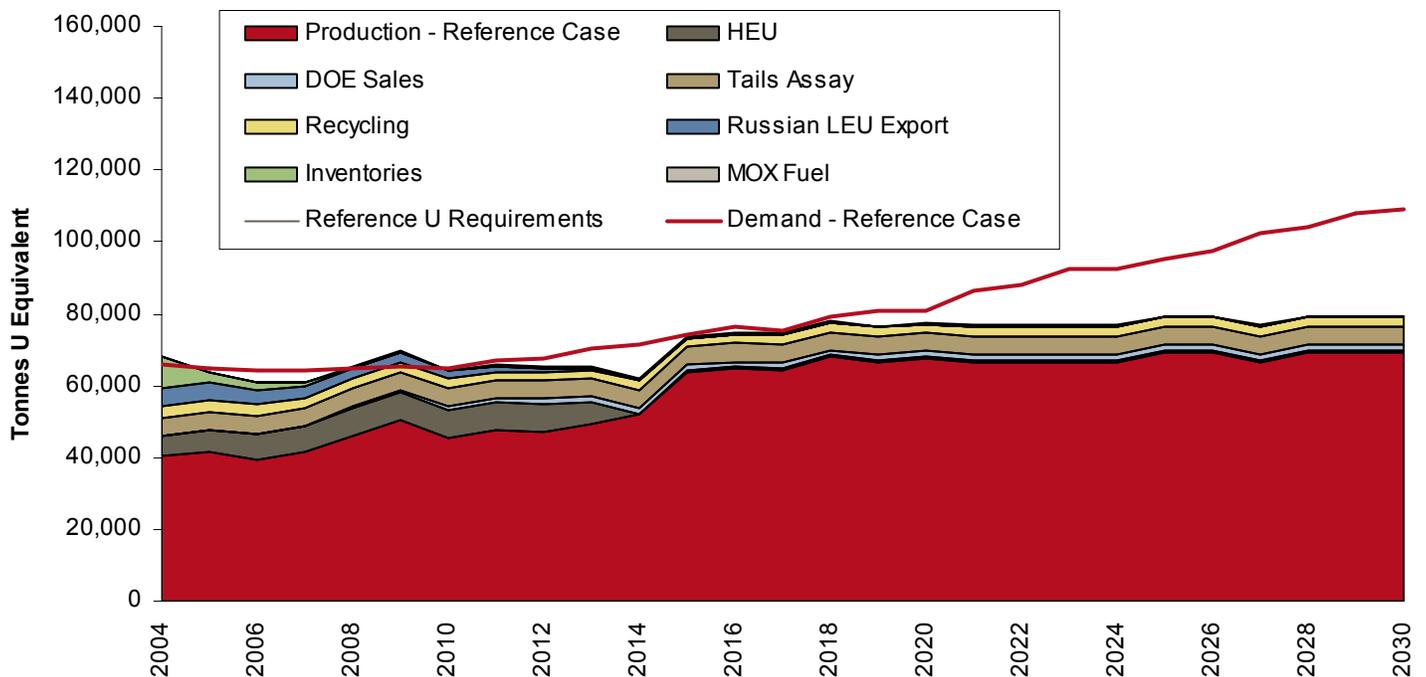
The 439 operating reactors require approximately 186 MMLbs of U<sub>3</sub>O<sub>8</sub> equivalent. 110 MMLbs of U<sub>3</sub>O<sub>8</sub> is supplied by primary production with the balance being made up from secondary sources including mixed oxide (MOX) fuel, national and utility held inventories (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. It 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 6, we have adjusted the forecast with our internal assumptions. We feel the WNA's schedule remains aggressive and does not take into account certain variables affecting the market today. The model does not consider continued demand from investment vehicles such as Uranium Participation Co., Nufcor Uranium, continued delays at Cigar Lake, the impact of Dominion delays, the shelving of Honeymoon and the impact of US permitting delays on the developers.

We have assumed that the expansion at Olympic Dam is pushed back until 2013, and it now appears that it could have even greater delays and become a four-staged expansion rather than a single event. We also have assumed that Kazatomprom and its partners will not 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 to the point where they can claim commercial production. 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** **Cormark Estimated Supply – Demand Scenario (2004 – 2030)**



Source: WNA and Cormark Securities Inc. estimates

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## 2008 Themes

**Consolidation:** In 2006/07, we suggested that consolidation would be a key theme in the industry. Uranium One was the most aggressive acquiring EMC, Urasia, and USEG. Paladin Energy acquired Valhalla and the majority of Summit Resources. Denison Mines acquired Omega in Australia and Areva acquired ♦UraMin. These were among the largest deals, all completed when uranium was at levels much higher than today. We anticipate that this theme will draw investor attention through the year as valuations have fallen significantly, perhaps to levels where those bullish on the industry for the long-term will look to acquire assets at pennies on the dollar compared with 15 months ago.

**Technical Execution:** We now have over seven companies advancing with early production, construction or expansion. The market is looking for technical execution and tangible evidence of success as compared to valuing expectations of future growth. Investment in the industry is evolving to one comparable with any other standard mining segments. The market will be cyclical and those companies that can execute will out perform. We suggest sticking with the leaders.

**It's Not About Pounds In The Ground Anymore:** During the rampant appreciation of the commodity through 2006, valuations recognized historical and proven pounds of uranium in the ground in an attempt to define a value for those companies developing a resource base, typical for early stage investments in an emerging commodity. As exploration budgets increased and money was spent, many companies acquired or found large resources of both new and historical pounds. Depending on jurisdiction, grade, and quality these would garner a “per lb in the ground “ valuation. The market has evolved to the point where the investors’ primary concern is the true net asset value and the likelihood that it can move to production. Those exploration companies having large undeveloped assets were pushed towards defining development plans, perhaps in some cases sooner than they were ready. The regulatory framework associated with Western World Production, and the inherent time delays and other associated risks in the process of permitting, have lead us to use Discounted Cash Flow valuations, deriving lower valuations than we had previously.

**Choosing Your Spots:** We suggest sticking with producing uranium companies. PDN, DML, UUU and CCO offer immediate exposure to the uranium price and will be the first to appreciate as we move to a period of undersupply commencing in 2012/13. Developers moving from exploration to production should undergo a re-rating, typical of most mining companies as capital is sunk and positive cash flow is achieved. For the exploration companies, we believe in focused investment in those companies having large, high-grade deposits or a deposit with scale of operation located in mining friendly jurisdiction.

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## Valuation

Cormark Securities has chosen to take a conservative approach to uranium valuations moving forward. The volatility associated with the uranium spot price has resulted in large swings in uranium equity valuations. We argue that the long-term price should be the benchmark for equity valuation as it is a truer indicator of market conditions than that of the spot price; however, we acknowledge that shorter-term market reactions are based upon the impact of spot price movements as many developing producers have uncommitted material for sale annually within the spot market. We anticipate that this will change and producers will negotiate larger volumes of annual production into term-type contracts.

♦During the past twenty-four months, Cormark Securities Inc., either on its own or as a syndicate member, participated in the underwriting of securities for UraMin Inc.

We essentially have four categories of uranium levered equities that we value; fully integrated nuclear fuel service companies (Cameco), the growing producers (DML, PDN and UUU), the near-term producers (EQN, BAN, URE) and the explorers/early-developers (AXU, UEX).

Our valuation for the first three groups has not materially changed. CCO remains valued within a blended divisional framework, whereby each division is valued based upon an earnings multiple reflective of the industry. We maintain our NAV based targets for the other groups in or nearing production.

The major change to our valuation approach is applied to the explorers/developers. This group has always been difficult to value due to the evolving resource base, timing of production/development, potential for new discovery, jurisdiction and regulatory environment. Previously we assigned a resource multiple to the group, however both UEX and AXU have had significant success in growing their respective resources to world-class size. The market is no longer prepared to pay for additional resources for these Companies, as it remains focused on development, permitting, funding and production. As such a higher level of risk has been attributed to these projects than given to those acting as exploration companies alone. The potential for consolidation certainly remains; however, the economics of a base operation remains the focus. We now value this group based upon a DCF derived NAV. We do acknowledge that lead times to production are large, and that there is potential for the asset base to grow. As such, depending on the impact of the above-mentioned criteria, we are comfortable assigning a premium to NAV.

## Risks To Forecast

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### **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.

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### **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.

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### **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.

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### **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.

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### **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.

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### **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 and 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 approximately 9 metric tonnes of plutonium. The total contribution of MOX is rather small in comparison with the entire nuclear fuel business.

## 2008 Uranium Update

This report is provided as a supplement to Cormark's fifth 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.

In addition to commentary on our active coverage we have included general descriptions and summaries on those uranium companies that we feel have significant potential for growth and technical success, but are not currently under official coverage. We provide this these for informational purposes.

**Figure 7** **Cormark Recommendations**

Company	Symbol - Exchange	Price	Revised			Previous	
			Target	Rec.	Return	Target	Rec.
Aurora Energy	AXU - TSXV	\$3.45	\$5.90	Buy (S)	71.01%	\$4.40	Mkt Perf
Bannerman Resources	BAN - TSX, BMN - ASX	\$1.86	\$4.90	Buy (S)	163.44%	\$5.00	Buy (S)
Cameco Corporation	CCO - TSX, CCJ- NYSE	\$37.93	\$33.25	Mkt Perf	-12.34%	\$38.50	Mkt Perf
Denison Mines Corp.	DML - TSX, DNN - AMEX	\$7.00	\$10.25	Buy	46.43%	\$13.50	Buy
Equinox Minerals	EQN - TSX, ASX	\$4.76	\$5.45	Buy	14.50%	\$5.45	Buy
Fission Energy	FIS - TSXV	\$0.83	NR	NR	NR	NR	NR
Hathor Exploration	HAT - TSXV	\$2.69	NR	NR	NR	NR	NR
Laramide	LAM - TSX	\$3.73	NR	NR	NR	NR	NR
Paladin Resources	PDN - TSX, ASX	\$5.28	\$6.60	Top Pick	25.00%	\$6.60	Top Pick
Strathmore	STM - TSXv	\$1.51	NR	NR	NR	NR	NR
UEX	UEX, TSX	\$3.65	\$7.75	Buy (S)	112.33%	\$13.35	Buy (S)
Uranerz Energy Corp.	URZ - TSX	\$3.19	NR	NR	NR	NR	NR
Uranium One	UUU - TSX	\$4.10	\$3.80	Reduce	-7.32%	\$3.80	Reduce
Uranium Participation Corp.	U - TSX	\$8.55	\$9.90	Buy	15.79%	\$15.65	Buy
Ur-Energy	URE - TSX	\$1.90	\$3.25	Buy	71.05%	\$3.70	Buy

Source: Cormark Securities Inc.

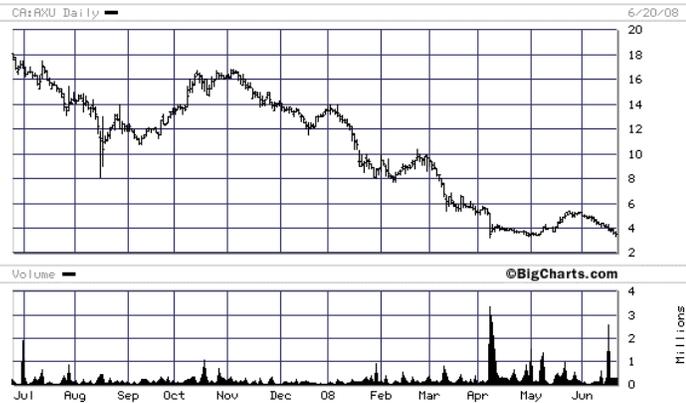
# Aurora Energy Resources Inc.

(AXU - C\$3.45, TSX)

**Recommendation: BUY (S)**

**Target Price: C\$5.90**

**Figure 1 Price Chart**



Source: BigCharts (June 20/08)

**Figure 2 Statistics**

Current Price	C\$3.45	Shares Outstanding (MM)	
52 Wk High	C\$18.70	Basic	73.1
52 Wk Low	C\$3.26	Diluted	75.0
Cash (MM)	\$120.0	Mngt. & Dir.	3.2
Total Debt (MM)	\$0.0	Market Cap.	C\$252.2
NAVPS	C\$5.10	Float	C\$241.2
Price/NAV	0.68	EV	\$132.2
Dividend	\$0.00	Reserves	
Dividend Yield	0	Resource	134 MMLb

Source: Company reports, Cormark Securities estimates

**Outline**

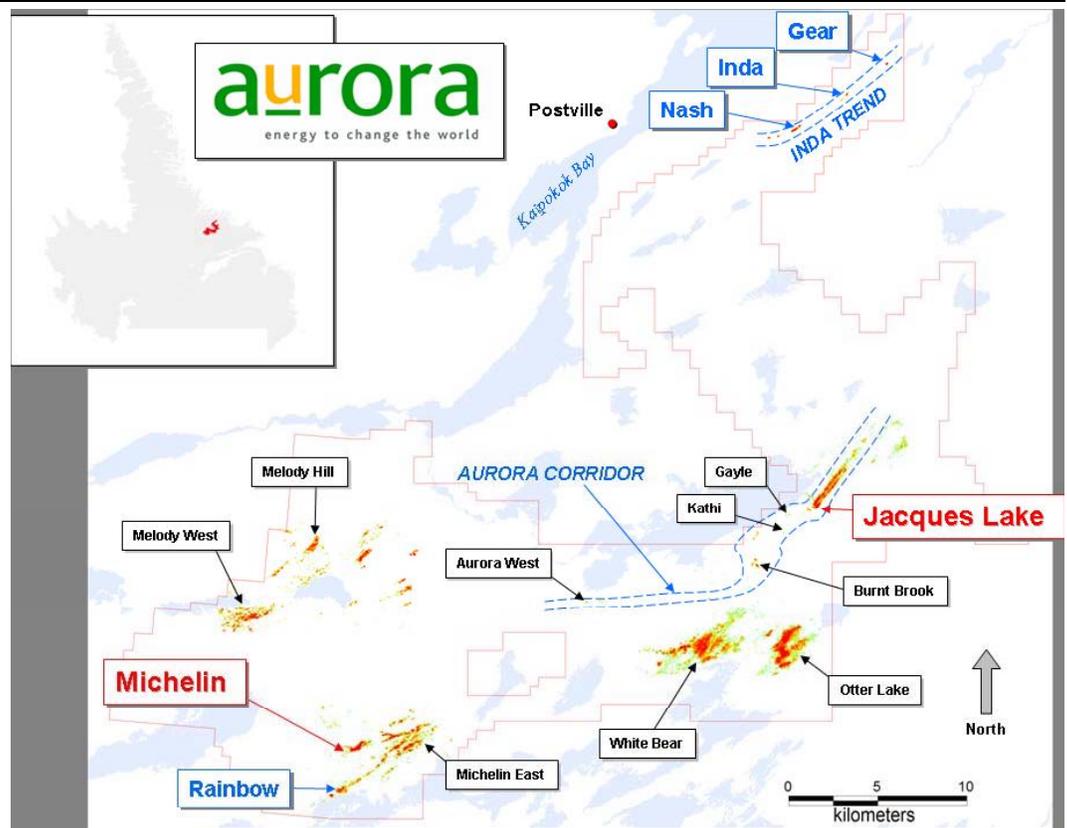
Aurora Energy is an emerging uranium development company controlling one of the largest undeveloped uranium deposits in Canada, the Michelin deposit, located within the Central Labrador Mineral Belt. In 2007, the Company completed a drilling program of approximately 75 M meters, spending C\$21MM and operating nine drills on what was one of the largest global exploration campaigns for the commodity. AXU has established a 43-101 resource of 133.7 MMLbs. There remains significant upside potential to this resource, which could be realized through further drilling. We believe that AXU has established the Central Labrador Mineral Belt as Canada's next uranium district. However, the recent three-year ban on uranium mining has significantly increased the permitting risk of the project and ultimately the potential timing of operations.

**AXU – Aggressive Exploration Yields Results**

The Company listed on the TSX early in 2006 having a 43-101 compliant resource of 35.6 MMLbs of U3O8 defined at its 100% controlled Michelin deposit. Aurora has pursued an aggressive drill program completing 45,902 m in 2006, and an additional 75,000 m in 2007. Over the course of the last two years, the Company, through aggressive exploration, has extended known mineralization or discovered new, previously unknown occurrences throughout its Central Labrador Mineral Belt property and continues to develop one of the most promising uranium resources being evaluated today. Based upon our preliminary block models, we suggest that the district could easily host 200 MMLbs of uranium; however, due to the mining moratorium, the Company has wisely chosen to focus on infill drilling, which unfortunately will limit the exploration upside in the story in the near to mid-term. In January of this year AXU released a 43-101 compliant resource of 133.7 MMLbs. This represents a 39% increase in resources over the previous year. Michelin has grown to 102.9 MMLbs and Jacques Lake to 17.3 MMLbs.

Figure 3

Project Map



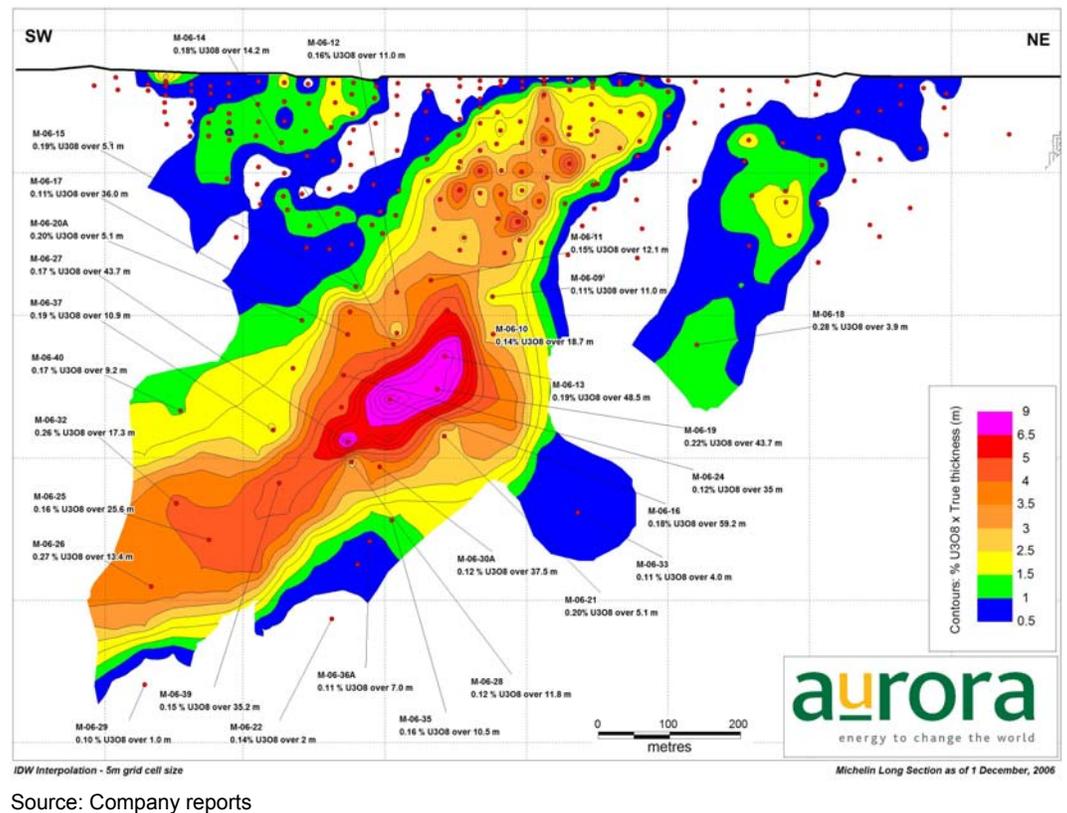
Source: Company reports

**Michelin**

In 2007, AXU drilled 23 holes in the winter drilling program at Michelin, which focused on infill drilling and confirming the shallower resource potential indicated by historic drilling. The Company has defined a Measured and Indicated Resource of 67.4 MMlbs and an Inferred Resources of 35.5 MMlbs at Michelin for a total of 102.9 MMlbs. This is an increase of 20% from last year. The deposit extends over an intermittent strike length of one km, a 200-meter width and remains open in all directions and at depth. In 2007, the Company moved the project to the pre-feasibility stage with Micon International and SNC Lavalin leading the project with the objective of completing the study this year. The Company has begun taking the necessary steps to move the Michelin project from exploration to development and though we expect that significant resource upside exists the key focus of the project moving forward will be supporting the pre-feasibility study.

Figure 4

Michelin Long Section

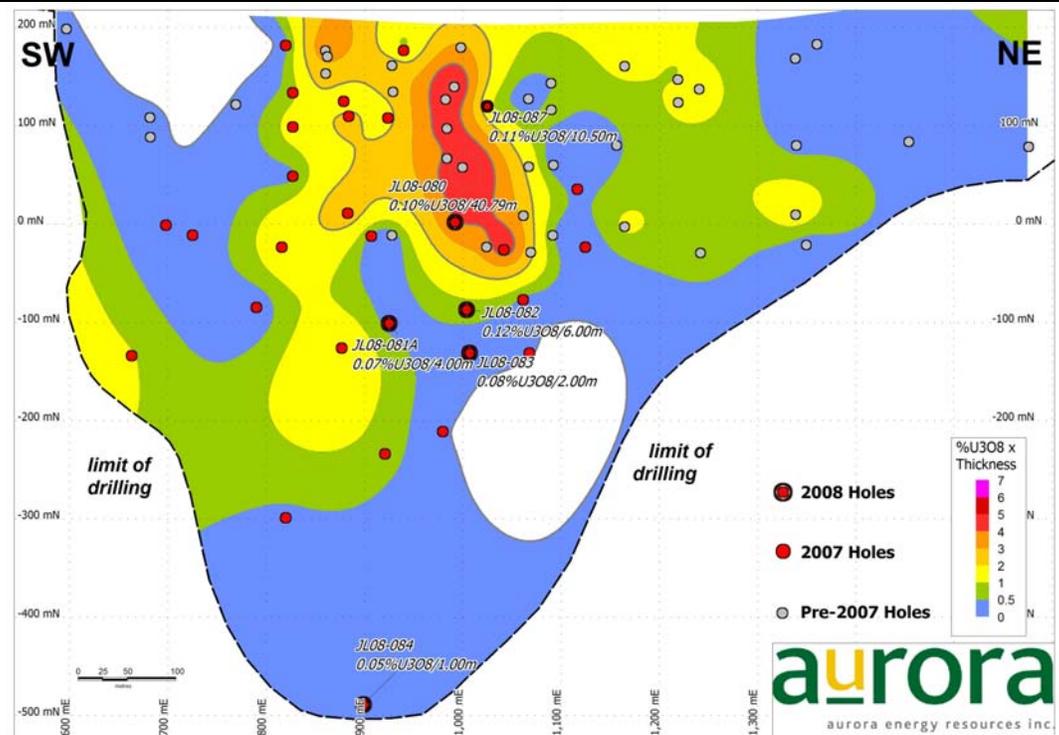


Source: Company reports

Jacques Lake

The Company continues to expand the resource at Jacques Lake, further proving the potential of this deposit, and has defined a Measured and Indicated Resource of 10.4 MMlbs and an Inferred Resources of 6.9 MMlbs, an increase of 70% over last year. To date, mineralization has been intersected intermittently over a strike length of approximately 650 meters. The best results define a thick central higher-grade zone similar in shape and grade to Michelin located 30 kilometers to the southwest; the higher-grade core has been defined to a depth of 235 meters. The Deposit is currently open at depth and to the southwest. We estimate that Jacques Lake could currently host upwards of 60 MMlbs of U3O8 at an average grade similar to that of Michelin at 0.10% U3O8. The host felsic and intermediate volcanics of Jacques Lake have been traced over a 20 kilometer strike length to the west exhibiting similar radiometric and geochemical signatures as those directly associated with the uranium mineralization. The aim of the 2008 program will focus on infill drilling and converting inferred resources into the indicated category.

**Figure 5 Jacques Lake Long Section**



Source: Company reports

**Other Assets**

Though the Company has focused the majority of its resources at Jacques Lake and Michelin, there are several other exploration stage projects within the Company that could provide further potential. With the most recent resource update, the Company included initial resource estimates for the Post Hill Deposits: Inda, Nash, and Gear, as well as the Rainbow Deposit. These results confirm the potential of this part of Aurora’s project area to host additional near surface uranium deposits. The total resource for the Post Hill deposits was 4.0 MMlbs of Indicated and 5.7 MMlbs in the Inferred category and for Rainbow was 2.06 MMlbs of Indicated and 1.7 MMlbs in the Inferred category. The Post Hill area is located approximately 50 kilometers northeast of Michelin and could quickly lead to an economic satellite deposit for Michelin if the area continues to provide strong near surface results. The Rainbow deposit is located approximately three km to the Southwest of the Michelin deposit. The Company also has the White Bear Lake project located 10 km southwest of the Jacques Lake deposit, with historical work by Brinex in 1977 returning drill results of 0.22% over 20 meters. In 2006, the Company drilled 17 holes totaling approximately 300 meters. In 2006, AXU announced a drill hole testing a zone of outcropping uranium mineralization returning 0.25% U3O8 over 15 meters starting at surface. Though these projects could provide potential resource expansion in the region, we believe that they will play a secondary role as the Company focuses on developing Jacques Lake and Michelin.

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**Mining Moratorium**

The Nunatsiavut Government (NG) announced on April 08, 2008, that it had passed a three-year moratorium on uranium mining and milling on the land settlement area of Northern Labrador. It is important to note that the proposed moratorium will not affect exploration and development of uranium projects, as such, the moratorium does not have any immediate impact on Aurora's projects. However, AXU has guided that it will focus its attention strictly on in-fill drilling at Jacques and Michelin for its pre-feasibility study due at the end of 2009. The Company will shelve its exploration efforts on its Central Labrador Mineral belt land holdings until resolution is achieved. The NG voted in favour, in an eight to seven vote, for the three year moratorium. Although we view this event as negative to regional development in Labrador, we believe that ultimately the issues that concern the Nunatsiavut Assembly will be addressed and Aurora's project will be put into production, albeit at a much later date than the previously estimated start-up of 2012. Until a definitive agreement between the Company and the Nunatsiavut Assembly is made, the issue will overhang the development of the project and ultimately the Company's equity price. Aurora is about to begin its Environmental Assessment (EA) that will review all environmental concerns associated with the project. The EA will allow the Nunatsiavut Assembly to participate and be kept aware of the underlying environmental issues and how the Company intends to address these potential problems. We believe that AXU will be explicit with its intentions to include the Nunatsiavut in the EA process and that all concerns will be addressed. The major unknown in this process will be what percent, if any, the Nunatsiavut will want in the project or whether there will be a royalty paid to the Nunatsiavut. These are the real unknowns that will overhang the project until a framework policy has been clarified. We view this issue more as a matter of education rather than hard policy. With education will come a greater understanding by the Nunatsiavut Assembly and, we expect, acceptance.

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**Resource Growth Continues**

Aurora released an updated resource for the Michelin Deposit on February 20, 2008, which resulted in 67.4 MMLbs of U<sub>3</sub>O<sub>8</sub> in the Measured and Indicated category and 35.5 MMLbs of Inferred resources. On February 25, 2008, the results of its independent NI 43-101 resource estimates for its Jacques Lake uranium property resulted in Measured and Indicated (M&I) resource of 10.4 million pounds U<sub>3</sub>O<sub>8</sub>, and an additional Inferred resource of 6.9 million pounds of uranium. The two deposits taken together provide a collective 120.2 MMLbs resource. This is a resource increase of 39% over last year and though the new 120.2 MMLbs resource is significant, we firmly believe that this represents only a small portion of the overall potential of this new uranium camp. AXU announced the initial resource estimates for the Inda, Nash, and Gear deposits. These results confirm the potential of this part of Aurora's project area to host additional near surface uranium deposits. The results of the resource estimates are summarized in figure 6, with total resource for the Post hill targets providing 4.0 MMLbs of Indicated and 5.7 MMLbs in the Inferred category.

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**The Path Forward**

For the duration of 2008, the Company has budgeted \$20.1MM with \$4MM of that set aside for infill drilling with a 11,250 m infill drilling program planned. The Company has begun the Environmental Assessment process, which it expects will take three years. The Company continues to work closely with the community to resolve any concerns with a significant portion of the 2008 budget dedicated proving the environmental sustainability of the project through technical studies.

**Figure 6 Updated Resource Estimate**

Deposit	Underground			Open Pit			Total lbs U308
	Tonnes	U308 %	lbs U308	Tonnes	U308 %	lbs U308	
<b>MICHELIN</b>							
Measured	1,289,000	12%	3,310,000	5,795,000	8%	9,768,000	
Indicated	16,170,000	13%	44,582,000	7,146,000	6%	9,774,000	
M & I	17,459,000	12%	47,892,000	12,941,000	7%	19,542,000	67,434,000
Inferred	12,577,000	12%	33,647,000	1,564,000	5%	1,818,000	35,465,000
<b>JACQUES LAKE</b>							
Measured	415,000	9%	802,000	401,000	9%	798,000	
Indicated	3,357,000	8%	5,861,000	1,909,000	7%	2,950,000	
M & I	3,772,000	8%	6,663,000	2,310,000	7%	3,748,000	10,411,000
Inferred	2,778,000	8%	4,596,000	2,210,000	5%	2,314,000	6,910,000
<b>RAINBOW</b>							
Indicated				1,088,000	9%	2,063,000	2,063,000
Inferred				931,000	8%	1,700,000	1,700,000
<b>NASH</b>							
Indicated				757,000	8%	1,300,000	1,300,000
Inferred				613,000	7%	904,000	904,000
<b>INDA</b>							
Indicated				1,460,000	6%	2,037,000	2,037,000
Inferred				3,042,000	7%	4,538,000	4,538,000
<b>GEAR</b>							
Indicated				520,000	6%	665,000	665,000
Inferred				210,000	6%	262,000	262,000
<b>TOTAL</b>							
M & I	21,231,000	12%	54,555,000	19,076,000	7%	29,355,000	83,910,000
Inferred	15,355,000	11%	38,243,000	8,570,000	6%	11,536,000	42,375,000

Source: Company reports

## Valuation

Our valuation is now based on a DCF-derived target rather than a pounds in the ground valuation as a result this valuation places more emphasis on production and development, with less value being given for exploration potential. We continue to believe that the Central Labrador Mineral Belt could host well over 200 MMlbs U<sub>3</sub>O<sub>8</sub>, but we believe that the focus for AXU will be dependent upon demonstration of project advancement both technically and socially. With de-risking will come continued value generation.

Based on Company guidance, the project timeline has moved forward from 2012 to 2014, although for the basis of our valuation, we are modeling a more conservative start-up of 2015. This timeline production will not allow AXU to take advantage of higher commodity prices in the early years of production start-up. We have chosen to be conservative with our start-up assumptions based on the recent mining moratorium and what we ultimately anticipate could be further delays with the permitting process. We have estimated the total capital required to finance the project at US\$700MM (raised via a 50/50 debt to equity ratio). We have assumed an equity raise in 2013 of C\$350MM at a C\$4.75/sh price and a debt facility of \$350MM with an interest rate of 8.0%. We anticipate a 2015 start-up date and envision AXU operating a 3.5 MM tonnes per annum mill. We have assumed that AXU will produce approximately 4.4 MMlbs U<sub>3</sub>O<sub>8</sub> per annum at a cash cost of US\$30.90/lb U<sub>3</sub>O<sub>8</sub>, over eight years via open pit followed by an additional 11 years of production at 7.9 MMlbs U<sub>3</sub>O<sub>8</sub> at cash costs of \$28.40/lb. Based on our DCF model, we calculate the Michelin/Jacques Lake project to have a NAV/sh of C\$5.10/sh. This compares with our previous NAV of \$3.80, which was lower primary due to production commencing one year later in 2016, slightly higher operating costs at \$31.25/lb, in addition our updated NAV includes \$100 MM attributed to exploration. We have applied a 1.2x multiple of NAV, as we continue to believe that the Central Labrador Mineral Belt offers AXU significant opportunity to increase the scale and scope of its project, once the moratorium and permitting hurdles have been overcome, resulting in a target price of \$5.90. Though we believe that Aurora has an excellent resource base and the potential to be the first producer, in what will become a key uranium district, the overhang from the mining moratorium and the shift from an exploration project to a development project creates some risk in the near term. We do, however, believe that as the project moves toward production and is de-risked with the resolution of the mining moratorium there will be potential for further upside in the stock. We are changing our recommendation from Market Perform to Speculative Buy as we believe that there is upside potential at these levels. AXU's management continues to do everything right. Recently the Company shifted its corporate base to Newfoundland and has grown its development team with top-notch industry personnel. The team is now in place to develop this asset, an attribute that cannot be valued today.

# Bannerman Resources Ltd.

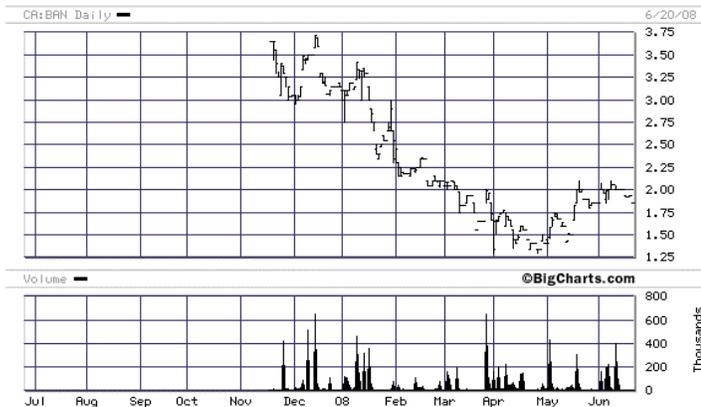
(BAN - C\$1.86, TSX; BMN - AU\$2.00, ASX)

**Recommendation: BUY (S)**

**Target Price: C\$4.90**

**Figure 1**

**Price Chart**



Source: BigCharts (June 20/08)

**Figure 2**

**Statistics**

Current Price	\$1.86	Shares Outstanding (MM)	
52 Wk High	\$3.72	Basic	144.9
52 Wk Low	\$1.30	Diluted	165.3
Cash (MM)	\$20.98	Mngt. & Dir.	29.1
LT Debt (MM)	\$0.0	Market Cap.	C\$269.5
NAVPS	\$4.87	Float	C\$215.4
Price/NAV	0.38	EV	\$248.5
Dividend	\$0.00	Reserves	0.0 MMLb
Dividend Yield	0	Resv.+ M&I Res.	72 MMLb

Source: Company reports, Cormark Securities estimates

## Outline

Bannerman Resources continues to accelerate the development of its primary Goanikontes uranium asset, located in the world-class uranium country of Namibia. The Goanikontes deposit is analogous to the Rio Tinto Rossing mine and is situated on trend to the southwest. To date, the Company has defined resource of 161.4 MM tonnes at a grade of 0.02% U<sub>3</sub>O<sub>8</sub>. The Company has completed a scoping study and has begun a Bankable Feasibility Study (BFS). It expects to bring its Goanikontes deposit into production in late 2011, ramping to full production by mid 2012. The technically simple nature of the Company's uranium deposit located in the geo-politically stable and mining friendly country of Namibia offers potential investors excellent exposure to an emerging uranium company.

## BAN – Filling The Gap

Bannerman offers the investor exposure to a Company that has the potential to produce uranium at scale, in an area where there are limited investment choices available. The Company's development approach is technically simple, as it will utilize straightforward mining and processing methods. More importantly, the geography and politics of Namibia are responsive to uranium mining. Namibia has a well-established mining and permitting policy in place, as well as a long history of uranium mining. Paladin, Uranium One, and Denison Mines have evolved to the status of uranium producer and now have valuations based on production success. These companies, in conjunction with Cameco and ERA, make up the limited list of publicly traded equities having exposure to current uranium production. The evolution of these companies from developer to producer status has left a marked gap within the market looking for exposure to uranium developers. With a large resource base defined, a scoping study completed, and with a bankable feasibility underway, Bannerman remains on the fast track to production. As such, Bannerman has the ability to re-rate as the Company shifts from a developer into a producer.

## Goanikontes

Goanikontes is located in the central coastal region of Namibia in Swakopmund district, 30 km south east of Swakopmund and 40 km northeast of the port of Walvis Bay. There is established infrastructure with road and rail access to the site. The deposit is close to both the Rossing Deposit (69% owned by Rio Tinto) and Paladin's Langer Heinrich operation. Bannerman owns 80% of the Goanikontes deposit and surrounding tenements. The project is composed of 12 uranium anomalies called the Rossingberg Anomalies and eight uranium prospects. The Company has identified several new anomalies based on the reprocessing of the government geophysical database. The mineralization at the Goanikontes Deposit is similar to that at the Rossing deposit and is primarily composed of uraninite, pitchblende and uranophane. Mineralization occurs in alaskites similar in age and morphology to those at Rossing. The Company has defined an Indicated Resource of 25 MM tonnes at 0.02%  $U_3O_8$  and an Inferred Resource of 136 MM tonnes at 0.02%  $U_3O_8$  at the Goanikontes Anomaly A Deposit. This results in total resources of 72.2 MMlbs; an increase of 168% from the initial 26.9 MMlb resource. This estimate is based on 223 RC and 19-diamond drill holes over 2.2 km to a depth of 300m. The Company has licences in excess of 500 km<sup>2</sup> with an initial target area of seven km. There are currently three RC drill rigs on the property conducting infill drilling with 99 holes RC holes (30,152 m) drilled in the first quarter. In addition there are 2 diamond drill rigs on the property which drilled 11 holes (4,958m) in the first quarter. The aggressive drill program the company has been undertaking will provide additional data, which should allow the Company to expand the resource and improve the confidence level of the resource estimate, moving material from the inferred category to the indicated category. We are expecting a resource update in Q3/08. The Company has begun a feasibility study, electing to take the project directly from the scoping level to the feasibility level which demonstrates the aggressive approach that the Company is taking with the project and the confidence that the Company has in the deposit. The Company expects to complete a feasibility study in the Q1/09.

Though the Company is primarily focused on the Anomaly A deposit, one of the other prospects in the area, the Oshiveli Prospect has returned encouraging spectrometry results from drill holes, including 58 m at 0.026%  $U_3O_8$  and 85m at 0.021%. The Company has completed an initial nine hole program with further drilling planned after the completion of drilling at Anomaly A. The Oshiveli prospect was identified in drilling from the 1970's and overlaps with Anomaly A which is to the south.

In January, the Company released initial findings on building and operating a wholly owned sulphuric acid plant. This would result in a significant reduction in operating costs, as sulphuric acid is one of the most important variables relating to operating costs. The potential acid plant will provide sulphuric acid for the project, as well as approximately 14 MW of power, due to the exothermic nature of sulphuric acid production. The Company should realize a cost savings of approximately 40% versus the cost of purchasing sulphuric acid, resulting in an effective cost savings of US\$3.18/lb  $U_3O_8$  (assuming a consumption rate of 26 kgs of acid per tonne of ore). Capital would increase an additional US\$70.0MM from our current projected capital estimate of US\$480MM (Bannerman's official guidance is approximately US\$400MM) to US\$550MM. Based on the potential cost savings associated with producing sulphuric acid, we believe that Bannerman will ultimately make this capital investment. We will review our overall capital and production cost assumptions, once the bankable feasibility study is released Q1/09.

**Model**

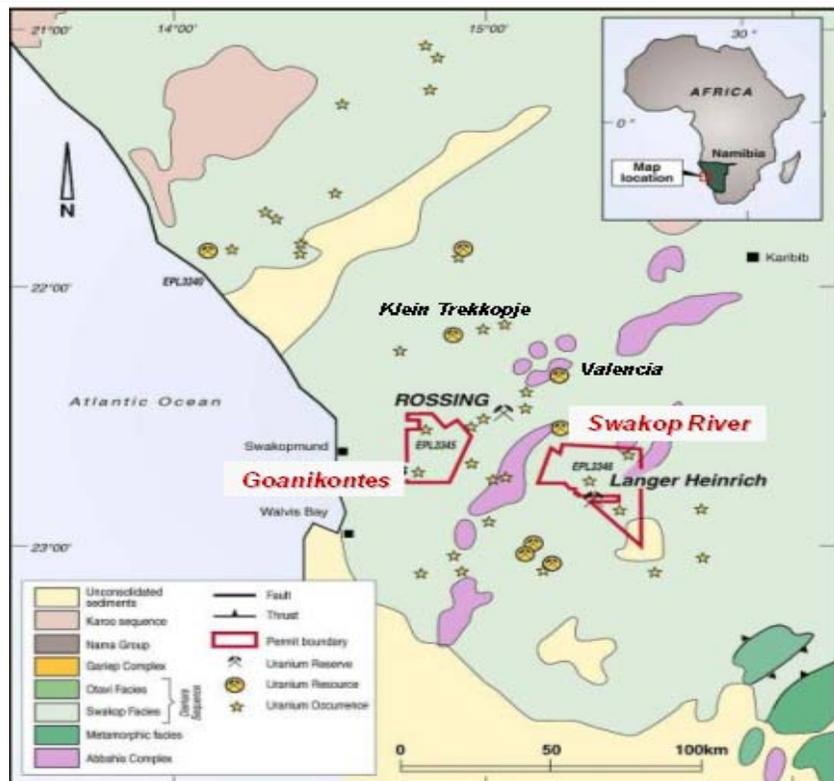
With production commencing in late 2011, we have modeled Bannerman Resources operating at an annual throughput of 15.0 MM tonnes of ore per year at an average head grade of 0.02% U<sub>3</sub>O<sub>8</sub>, with full production achieved in 2012. We have modeled recoveries of 90% resulting in production of an average of 6.5 MMlbs of U<sub>3</sub>O<sub>8</sub> at an average cash cost of \$27.50/lbs U<sub>3</sub>O<sub>8</sub> over the life of mine, which we have forecast at 20 years. We have forecast total capital expenditure for the Goanikontes Project to be approximately \$480MM, 20% higher than the high estimate that was outlined in the scoping study. Financing for the project has been modeled with the assumption that the Company will finance the project through an equity offering of \$200MM at a \$3.80/sh equity price with the remaining \$280MM to be raised through debt. Production is forecasted to begin in H2/11 and is modeled to be at full production in 2012.

**Swakop River**

The licenses that make up the Swakop River project surround Paladin’s Langer Heinrich Uranium mine. The Company defined uranium anomalies on the property by reprocessing government geophysical data. The Company discovered that the Elspe anomaly was located in an erosion area and a program was designed to test the existing palaeochannel for the presence of paleodrainage systems, the same model as the Langer Heinrich deposit. Though there was historical drilling in the area it was limited and the information was incomplete. Bannerman began drilling on the license in Q3/06 and by late Q4/06, the Company had completed 72 air core holes for 2594 m and 42 RC holes for 3463 m. This drilling has identified and delineated a palaeochannel, trending westwards towards the edge of the property. Further drilling is planned this year. As at Langer, historical drilling was only able to test to shallow depths and was hindered by the presence of clay beds. Deeper drilling has opened a number of new targets for Langer and we anticipate the same here. The target will be a higher-grade (0.08%-0.04% U<sub>3</sub>O<sub>8</sub>) paleoriver aggregate channel deposit such as PDN.

**Figure 3**

**Namibia Deposit Locations**



Source: Company reports

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**The Path Forward**

The Company has begun a feasibility study. Electing to take the project directly from the scoping level to the feasibility level, which demonstrates the aggressive approach that the Company is taking with the project and the confidence that the Company has in the deposit. Bannerman expects to begin commissioning the project in 2011. A resource update is expected in the beginning of Q3/08. Once the resource update is complete, we expect that the Company will begin evaluating prospects outside of Anomaly A.

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**Recommendation**

We continue to believe that Bannerman offers the investor exposure to a Company that has the potential to produce uranium at a scale of approximately 6.5 MMlbs p.a., with the potential for upside through further delineation of resources through the drill bit, both at its Anomaly A target and as it moves to evaluate other prospects. Moreover, the Company's development approach is technically simple, as it will utilize straightforward mining and processing method that are proven, as is the case at RTZ's Rossing mine. More importantly, the geography and politics of Namibia are responsive to uranium mining. Namibia has a well-established mining and permitting policy in place, as well as a long and well-established history of uranium mining. Our \$4.90 target is based on a 1.0x NAV. We are maintaining our Speculative Buy recommendation.

# Cameco Corporation

(CCO - \$37.90, TSX; CCJ - US\$37.26, NYSE)

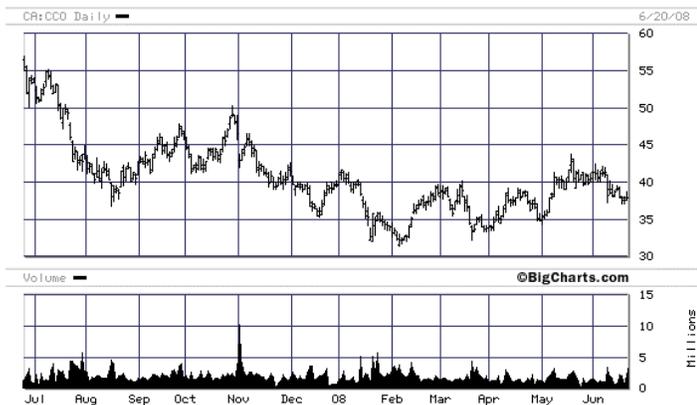
## Recommendation: MARKET PERFORM

**Target Price: \$33.25**

Unless otherwise denoted, all figures shown in C\$

**Figure 1**

**Price Chart**



Source: BigCharts (June 20/08)

**Figure 2**

**Statistics**

Current Price	\$37.90	Shares Outstanding (MM)	
52 Wk High	\$59.90	Basic	344.4
52 Wk Low	\$31.39	Diluted	367.7
Cash (MM)	\$131.0	Mngt. & Dir.	3.4
Total Debt (MM)	\$717.0	Market Cap.	\$13,054 MM
NAVPS	\$29.19	Float	\$12,925 MM
Price/NAV	1.3x	EV	\$13,640 MM
Dividend	\$0.24	Reserves	513 MMLb
Dividend Yield	0.63%	Resv.+ M&I Res.	625 MMLb

Fiscal YE Dec. 31		2008E	2009E	2010E
Production (MM Lbs)	Q1	3.70	5.3	5.43
	Q2	5.35	5.3	5.43
	Q3	5.35	5.7	5.43
	Q4	5.55	5.7	5.43
	FY	<b>19.95</b>	<b>22</b>	<b>21.7</b>
Cash Cost (/lb)	FY	<b>\$13.0</b>	<b>\$12.8</b>	<b>\$12.0</b>
	Q1	\$0.36	\$0.33	\$0.43
	Q2	\$0.23	\$0.33	\$0.43
	Q3	\$0.23	\$0.34	\$0.43
	Q4	\$0.24	\$0.34	\$0.43
	FY	<b>\$1.06</b>	<b>\$1.35</b>	<b>\$1.72</b>
Prod. y/y chg			10%	-1%
EPS y/y chg			26%	28%
EV/Prod.		25.7x	23.3x	23.6x
P/EPS		35.6x	28.2x	22.0x

Source: Company reports, Cormark Securities estimates

## Outline

Cameco is the world's largest producer of uranium with four operating mines in Canada and the U.S providing 19% 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. The Company has experienced production issues at its Kumtor Gold mine and the shut down of its Port Hope conversion facility. This combined with continued delays at its Cigar Lake facilities has created uncertainty around the Company. 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.

## CCO - Problems And Promise

Cameco continues to experience challenges with continued delays at Cigar Lake, and the continued shutdown of its Port Hope conversion facility. These issues combined with the CNSC report on the remediation process at Cigar Lake leave us with the impression that management has and will continue to have a lot of work ahead of itself. We fully expect further delays at Cigar Lake and also expect that the Port Hope Facility could experience continued delays that stretch beyond Q3/08. With this said, CCO remains the bellweather producer in the uranium space, and therefore remains a go-to name for leverage to the uranium price by larger institutions looking for exposure. We are maintaining our Market Perform recommendation, as we believe that based on our revised uranium price deck the Company is fully valued at current levels.

**Figure 3** Cameco's Production Guidance (Excluding- Cigar Lake)

	2008E		2009E		2010E		2011E		2012E	
	Guid.	Est.								
McArthur River / Key Lake	13.1	13.2	13.1	13.1	13.1	13.1	13.1	13.1	13.1	13.1
Rabbit Lake	3.6	3.0	3.2	3.2	1.8	1.8	3.1	3.1	2.4	2.4
US ISR	2.7	2.7	2.8	2.7	3.6	3.8	4.8	4.6	4.8	4.8
Inkai	1.2	1.1	2.9	2.9	3.0	3.0	3.0	3.0	3.0	3.0
<b>Total</b>	<b>20.6</b>	<b>20.0</b>	<b>22.0</b>	<b>21.9</b>	<b>21.5</b>	<b>21.7</b>	<b>24.0</b>	<b>23.8</b>	<b>23.3</b>	<b>23.3</b>

Source: Company reports

### Uranium Mining 2007 Results And Operational Update

In 2007, Cameco produced 19.8 MMlbs of uranium slightly lower than the 20.9 MMlbs produced in 2006. In 2008, we have modelled CCO producing 20.0 MMlbs, and 21.9 MMlbs in 2009. These estimates exclude any production from Cigar Lake. We now expect that Cigar Lake production will not be recognized until 2013 (at the earliest).

In 2007, CCO recognized C\$1,269MM in revenue from its uranium operations generating a gross profit of C\$648MM (compared with C\$237MM in 2006). CCO reported sales of 30.2 MMlbs of uranium at an average price of US\$37.47/lbs.

#### McArthur River / Key Lake

Cameco's share of production at McArthur River/Key Lake was 13.1 million pounds in 2007. We expect that Cameco's share of production for 2008 to be 13.1 million pounds of U3O8 for the full year.

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 with the current 18.7 million pounds). The Environmental Assessment (EA) was submitted in 2004 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 amended the licence condition for the Key Lake mill to include the condition to implement this plan.

A revitalization pre-feasibility assessment for the Key Lake mill was kicked off in October 2006 and was completed in Q1/08. 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, construction has been completed and it is expected to be operational shortly. The Company continued to work on transitioning to one of the two new underground mining areas. Though freeze hole drilling was better than anticipated in Q1/08 transitioning is behind schedule for 2009 production and the Company is developing a contingency plan.

#### Rabbit Lake

Rabbit Lake produced a total of 4.0 million pounds for 2007. Production in 2007 was lower than 2006 as a result of reduced tonnage and lower grades, as well as changes to the mine plan due to the development of a new mining zone. In 2008 we expect production of 3.0 MMlbs for the full year due to the lack of any production in Q1/08. In November Cameco experienced water inflow at Rabbit Lake. The Company located and controlled the source of water inflow, a historic drill hole. The Company was able to control the water inflow and resumed mining activities in December 2007. As a result of the loss of one month of mining and delays mining affected areas, 2008 production will be affected.

**Smith Ranch-Highland And Crow Butte**

Smith Ranch-Highland and Crow Butte produced 2.7 million pounds in 2007 and we expect production to remain flat at 2.7 MMLbs in 2008, in-line with Cameco's guidance. In 2008, CCO maintained its target of 2.7 MMLbs for these operations. The Company received approval for a second satellite facility (SR-2) to extend the life of the Smith Ranch Highland with the facility expected to be operational in Q3/08.

**Inkai**

At the Inkai ISL project in Kazakhstan, there are two production areas currently in development (blocks 1 and 2). At block 1, the Company has begun acidifying the commercial wellfield. At block 2, the test mine produced approximately 0.6 million pounds U3O8 during 2007. Production from the expanded facility started in the second quarter of 2006. Commercial development of block 2 is underway. 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 approximately US\$245 million. The capital expenditures for Inkai in 2008 are expected to total US\$45 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 approximately US\$110 million. At Inkia, the acid shortage may affect 2008 production. The Company is not currently guiding down for 2008 production, but will be discussing the issue with the Kazaks. The problem could affect the timing of the commencement of commercial production.

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**Cigar Lake Remediation Update**

Cameco began construction of the Cigar Lake mine on January 01, 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.

Cameco has completed the concrete barrier and reinforced the tunnel adjacent to the rock fall. Subject to approval by the CNSC, the Company could begin dewatering and all activities up to the point of construction activities which could allow for dewatering in H2/08. Cameco expects start-up in 2011 at the earliest. We are expecting production in 2013. The Company expects remediation cost of \$15 MM in 2008.

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**HEU Successfully Renegotiated**

Currently Cameco purchases approximately 7 MMLbs of uranium annually from Tenex under the existing HEU agreement, which ends in 2013. The agreement is a part of the United States-Russia government-to-government agreement to convert highly enriched uranium from dismantled Russian nuclear weapons into fuel for nuclear power plants (the HEU agreement). The price in the agreement was originally negotiated in 2001 in a time of significantly lower uranium prices. Though the current purchase price is not stated, we have estimated that Cameco currently purchases the material at \$13/lb.

We had been awaiting the results of the renegotiation since Tenex requested that a new pricing structure be considered in October of 2007. The renegotiation maintained the volumes available to Cameco under the agreement and the new pricing structure makes no changes in the years 2008 to 2010. The change to the agreement takes effect in the years 2011 to 2013, when approximately 7 MMLbs of the approximately 23 MMLbs available to Cameco, would be purchased at higher prices. The new pricing structure

would impact approximately 1 MMlbs of Cameco's production in 2011 rising to 3 MMlbs in 2013. Of these amounts, approximately 0.4 MMlbs annually would be priced at US\$60/lb escalated by inflation. The remaining affected quantities would be priced relative to the average uranium spot price on a graduated scale that takes effect at \$30 (US) escalated by inflation and results in an increase of approximately \$8.5/lb at a uranium price of \$60.00.

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**Fuel Services**

In 2007, Cameco generated C\$239MM in revenue from the sale of 17 MM kgU. A C\$23MM loss was generated in 2007 compared with C\$25MM in gross profit in 2006. The lower profitability was due to the higher cost due to the shutdown of the UF6 plant.

In 2007, revenue from the fuel services business rose by 7% compared with 2006 to \$239 million. The total cost of products and services sold was \$238 million in 2007 compared with \$180 million in 2006. The increased costs are attributed to the shut down of the Port Hope Facility, which is expected to restart in Q3/08 at the earliest. The areas affected have been back filled, the floor has been replaced and equipment is being reinstalled.

Cameco expects 2008 revenue from the fuel services business to be nearly 10%-15% lower than in 2007. Fuel services sales volume in 2008 is expected to total 9 million-12 million kgU compared with sales of 12.9 million kgU in 2007.

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**Bruce Power**

For the year 2007, BPLP earnings before taxes were \$438 million compared with \$388 million in 2006. Higher prices were off set by lower generation and higher operating costs.

For the year, the BPLP units achieved a capacity factor of 89%, compared with 91% last year. These units produced 25.3 TWh during 2007, compared with 25.8 TWh in 2006. The decrease primarily reflects the loss due to higher planned outage days.

For 2007, BPLP's electricity revenue totaled \$1,319 million, compared with \$1,242 million in 2006. During 2006, BPLP's realized price averaged \$52 per MWh from a mix of contract and spot sales compared with \$48 per MWh in 2006. The Ontario electricity spot price averaged approximately \$48 per MWh during the year, compared with \$46 per MWh a 2006.

For 2007, operating costs were \$881 million, compared with \$807million in 2006. In 2008, capacity factors for the B units are expected to average 91% with higher generation and realized prices expected to increase revenue 5%-10%. For 2008, the average unit cost is expected to be approximately \$34 per MWh. Total costs are expected to rise by 3% in 2008 over 2007.

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**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.

On June 02, 2008, Cameco announced that the agreement that was established with the Kyrgyz government regarding Centerra Gold was not ratified by the Kyrgyz parliament in time and has therefore expired. The agreement was to have Cameco transfer 22.3 MM shares and Centerra Gold transfer 10 MM treasury shares to the Kyrgyz government. As a result of this share transfer, Cameco's position in Centerra Gold would have decreased from 53% to approximately 41%, and the Kyrgyz government would have owned approximately 29% of Centerra Gold, public shareholders would have held the remaining 30%. However, the failure of the agreement will result in Cameco owning 53% of Centerra Gold rather than the 41% we had expected. The agreement was established to provide stability for the project; however, as witnessed in the announcement on June 17,

2008, the issues in Kyrgyzstan have not been resolved as the courts cancelled Centerra's gold mining licenses at Kumtor. Though the government intends to defend Centerra's position, we have chosen to take a worst case analysis approach and have removed all gold production from Kumtor starting in Q3/08.

In 2007, revenue from the gold business was \$405 million compared with \$414 million in 2006, while the gross profit margin increased to 27%. The increase in revenue was attributable to higher gold prices, offset by higher operating costs at Kumtor. The realized price for gold rose to US\$691 per ounce in 2007 compared with US\$597 per ounce in 2006, due to higher spot prices. Production for the year was 555,000 ounces compared with 586,000 ounces in 2006. Overall, for 2008 production, on a 100% basis, is guided to total between 770,000 ounces to 830,000 ounces of gold. We are modeling 386,000 ounces based on the challenges that the operations have been experiencing and the production that has been realized over the past several years and the removal of the Kumtor production.

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**Recommendation**

In 2008, we have CCO recognizing US\$41.00/lbs of uranium sold as compared with US\$37.47/lbs in 2007. Cameco continues to experience challenges with continued delays at Cigar Lake, and the continued shutdown of its Port Hope conversion facility. These issues combined with the CNSC report on the remediation process at Cigar Lake leave us with the impression that management will continue to have many key roadblocks to overcome. We fully expect further delays at Cigar Lake and that the Port Hope Facility could also experience continued delays that stretch beyond Q3/08. With this said, CCO remains the bellwether producer in the uranium space and provides strong leverage to changes in the uranium price. We are maintaining our Market Perform recommendation although lowering our target price to \$38.50/sh from \$33.25/sh based on a blended divisional valuation with the decrease in our target primarily a result of our updated price deck and the impact of our gold segment adjustments.

# Denison Mines Corp.

(DML - \$6.97, TSX)

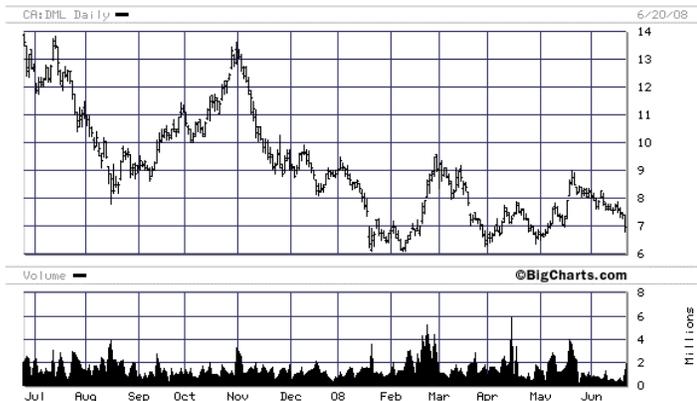
## Recommendation: BUY

**Target Price: \$10.25**

Unless otherwise denoted, all figures shown in C\$

**Figure 1**

**Price Chart**



Source: BigCharts (June 20/08)

**Figure 2**

**Statistics**

Current Price	C\$6.97	Shares Outstanding (MM)	
52 Wk High	C\$14.75	Basic	189.8
52 Wk Low	C\$6.10	Diluted	192.0
Cash (MM)	\$7.1	Mngt. & Dir.	18.8
Total Debt (MM)	\$21.4	Market Cap.	C\$1,322.8
NAVPS	C\$6.78	Float	C\$1,191.7
Price/NAV	1.0x	EV	\$1,337.0
Dividend	\$0.00	Reserves	13 MMLb
Dividend Yield	0%	P&P+M&I+Inf.	60 MMLb

Fiscal YE Jun. 30		2008E	2009E	2010E
Production	Q1	0.19 A	0.66	0.70
(MM Lbs U3O8)	Q2	0.36	0.68	0.78
	Q3	0.71	0.68	0.86
	Q4	0.79	0.69	0.86
MM lbs U3O8	FY	2.05	2.72	3.20
Cash Cost (/lb)	FY	\$26.10	\$27.46	\$27.20
Diluted CFPS, adj.	Q1	\$0.01 A	\$0.10	\$0.11
	Q2	\$0.02	\$0.11	\$0.12
	Q3	\$0.10	\$0.11	\$0.14
	Q4	\$0.12	\$0.11	\$0.14
	FY	\$0.25	\$0.42	\$0.52
Prod. y/y chg			33%	18%
CFPS y/y chg			68%	24%
EV/Resource				\$22.17
P/CF		27.9x	16.6x	13.4x

Source: Company reports, Cormark Securities estimates

## Outline

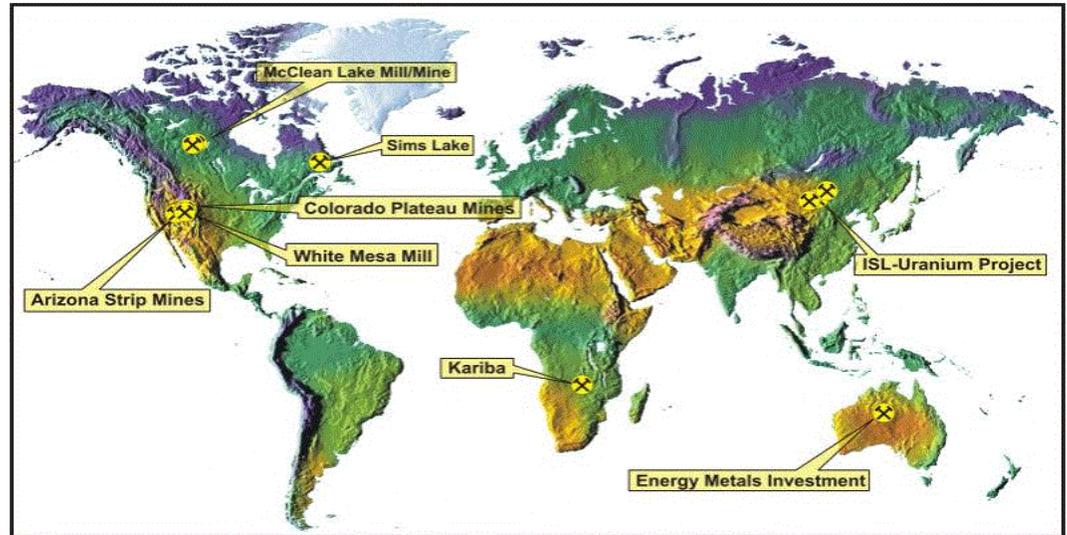
Denison Mines offers the investor exposure to the only intermediate uranium producer with its producing assets solely within North America. Denison has production at its Mclean Lake facility situated in Saskatchewan's prolific Athabasca Basin and at its Utah-based White Mesa Mill. With mining underway in the US and production from its Saskatchewan operations, DML will ramp production from approximately 700 Mlbs in 2007 to approximately 2.0 MMLbs p.a. in 2008. The Company boasts one of the largest diversified global exploration portfolios, with properties in the US, Canada, Australia, Africa, and Mongolia.

## A Global Producer

Denison 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 \$1.4BB and a reasonable balance sheet, allowing it to act either as a consolidator or a takeover candidate as valuations in the space are reset. Combined with its advanced operations and project portfolio, the Company has the marketing expertise to grow its distribution channels as the Company ramps production by a factor of 5 over the next five years (from 0.7 MMLbs in 2007 to +5 MMLbs in 2013). The Company boasts a seasoned management team, in an industry that is lacking human capital, providing the opportunity for a quick response and strong project advancement. DML has positioned itself as one of the leaders in the industry, and joins PDN and CCO as the +billion dollar companies driving the uranium mining renaissance.

Figure 3

## Global Reach



Source: Company reports

### A Growing North American Producer

With its 22.5% stake in the McClean Lake Facility in Saskatchewan and its 100% owned White Mesa mine/mill operation in the four corners district of the United States, Denison is a rapidly growing mid/large cap uranium producer benefiting from low operating costs, unhedged uranium output, and a geopolitically stable asset base. In 2007, White Mesa produced 683,000 lbs U<sub>3</sub>O<sub>8</sub> to Denison's account, and 2008 also bodes very well for the Company, as mining from the high-grade Sue E and Sue B pits should bolster production to ~720,000 pounds from the mine/mill facility this year. Beyond 2008, although the expansion at the McClean Lake mill will largely be complete, with McClean Lake feed being replaced by that from the proximal Midwest deposit, it is unlikely to culminate into a material increase in uranium production until 2013 or later, when the facility begins to treat ore from Cameco's Cigar Lake operation. Nevertheless, over the next four – five years, the consolidated mine/mill complex will have more than sufficient capacity to produce in the range of 500,000 pounds to 1,000,000 pounds U<sub>3</sub>O<sub>8</sub> per year, net to Denison's account, varying year-to-year based on the rate of contract mining and the grades of the deposits being extracted. Operated to a high standard by uranium-giant Areva (70.0% ownership), McClean Lake typically produces at an all-in (mining & milling) cash cost of less than US\$30.00/lb U<sub>3</sub>O<sub>8</sub> produced. As such, the Saskatchewan-based operation not only represents the cornerstone of Denison's production platform, but also a large store of value for the Company as well.

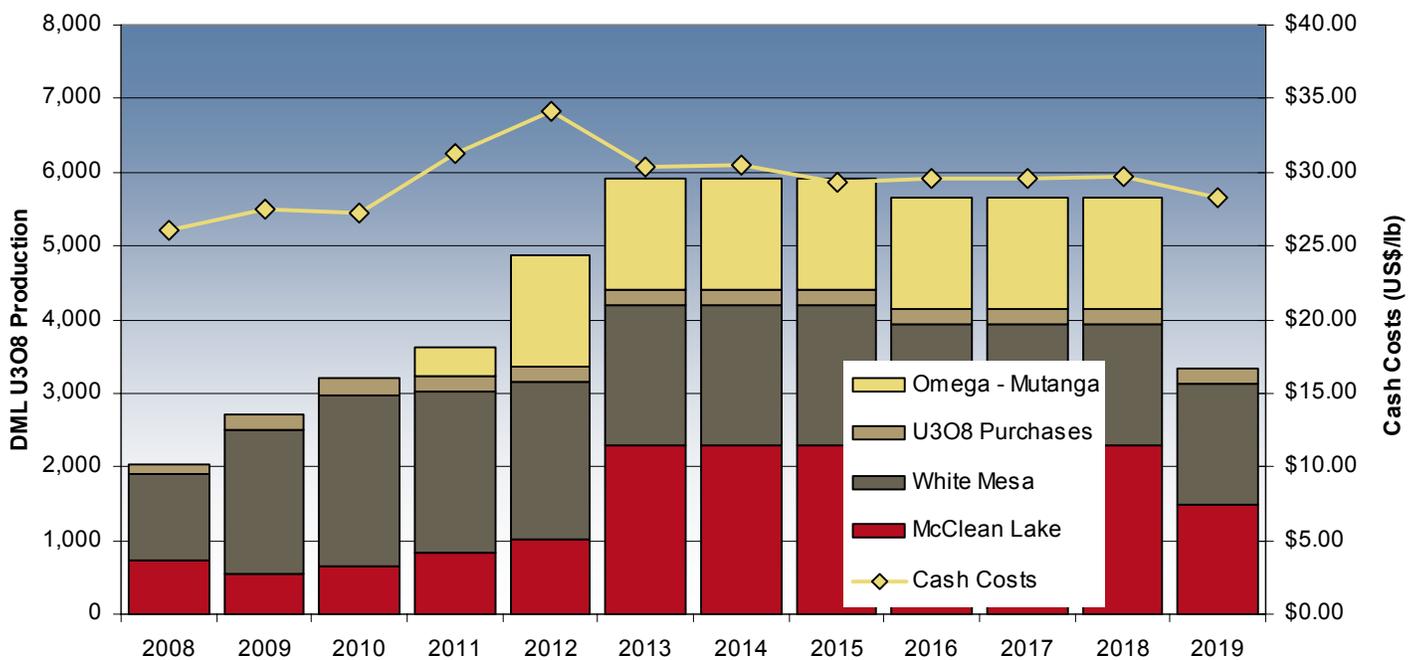
Prior to initial commercial production at Cigar Lake, and subsequent increase to Denison's attributable output, most of the Company's incremental U<sub>3</sub>O<sub>8</sub> production growth will come via its 100% owned White Mesa mine and mill operation in Utah. Having started up only last quarter, production at the complex continues to ramp, as the operational staff on site fine-tune the mill facility, continue to increase the ore stockpiles, and begin to deliver pounds of uranium into the market. In 2008, we are expecting Denison to produce and sell 1.2 MM commercial lbs of U<sub>3</sub>O<sub>8</sub>, below the Company's guidance range of 1.4 MMlbs – 1.7 MMlbs (which likely includes non-commercial production). Though we fully acknowledge the potential for the operation to exceed our forecast, we are also conservatively factoring in higher mining dilution, modestly lower subsequent mill feed grades/recoveries, and the likelihood of DML building up a stockpile inventory as opposed to delivering all production immediately into the market. Beyond 2008, however, whatever temporary challenges that may have afflicted White Mesa in its ramping phase should no longer persist. As such, we are forecasting

production of 1.9 MMlbs in 2009, and 2.3 MMlbs in 2010 as higher-grade ore is mined from the Bullfrog and Arizona deposits, and the process plant reaches its nameplate capacity.

Putting both McClean Lake and White Mesa operations aside, the Company's strong production pipeline is rounded out by its 100% owned Mutanga operation in Zambia, which despite the fact that it doesn't boast the same degree of geopolitical stability as its North American counterparts, still accounts for noteworthy uranium output growth for Denison. Forecasted to begin production by the end of 2011, the open-pit project is highlighted by a 13.7 MM pound JORC compliant resource grading .038% U3O8, and boasts a low-strip ratio, unencumbering initial CAPEX requirements, and well-proven conventional metallurgy. Although the value of the project itself is relatively small to Denison as it is discounted back to the current year (at 5%) in our DCF valuation, Mutanga is ultimately capable of producing 1.5 MMlbs of U3O8 per year.

Underpinned by the production and cash flow at McClean Lake/Midwest, gradually increasing commercial production at White Mesa, and future uranium output via the earlier stage Mutanga project, Denison is poised to grow its Company-wide attributable U3O8 production from its 2007 level of 683,000 lbs, to just under 6.0 MMlbs by 2013. With a strong balance sheet and steadily growing uranium output and earnings, Denison is well positioned to finance this growth via internally generated free cash flow and/or the utilization of a small revolving credit facility if necessary.

**Figure 4 Denison's Production Growth Pipeline**



Source: Cormark Securities estimates

**Compelling Valuation For A North American Producer**

Not only does Denison possess immediate production via its 22.5% interest in McClean Lake, but the Company also stands to benefit through its robust pipeline of growth projects, ultimately capable of producing in the range of 6.0 MMLbs to the Company per year, an order of magnitude greater than 2007 levels. With a distinct focus on North America, DML enjoys a favourable investment environment and comparatively low and stable taxes / royalty rates. Moreover, the Company is one of the very few producers with minimal delivery contracts, and as such, offers far greater exposure to the uranium price than its peer group. Combined with low operating costs due to the highly efficient McClean Lake facility and by-product Vanadium credits at White Mesa, Denison should continue to post robust operating margins going forward. Trading at a modest premium to its Net Asset Value of \$6.78 per share, expect the stock to react positively as the Company reaches nameplate capacity at White Mesa and continues to successfully operate at McClean Lake. With a solid Company-wide resource base of 60.3 MMLbs (JORC/43-101 compliant) and an additional 223.8 MMLbs historical, Denison's suite of projects feature long mine lives, low operating costs, and are predominantly situated within geopolitically advantageous jurisdictions. Nevertheless, our NAVPS does decrease from \$8.97 previously to \$6.78, primarily due to our recently lowered uranium price deck through 2012, the crucial years of the Company's growth. Maintaining our target multiple of 1.5x NAVPS, we continue to recommend Denison Mines as a Buy, but at a reduced target of \$10.25, down from \$13.50.

# Equinox Minerals Ltd.

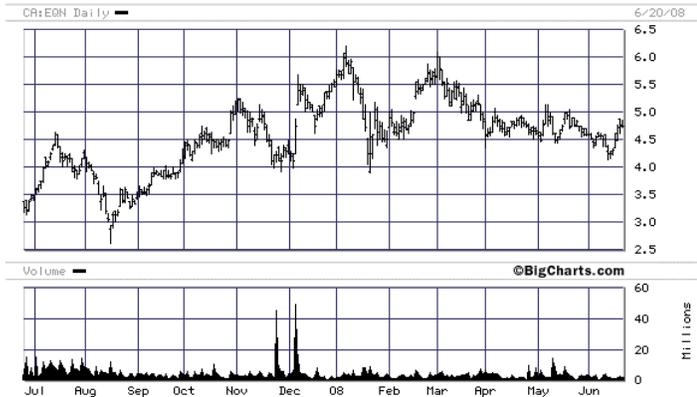
(EQN – C\$4.75, TSX; EQN – \$5.00, ASX)

**Recommendation: BUY**

**Target Price: C\$5.45**

**Figure 1**

**Price Chart**



Source: BigCharts (June 20/08)

**Figure 2**

**Statistics**

Current Price	C\$4.75	Shares Outstanding (MM)	
52 Wk High	C\$6.20	Basic	564.3
52 Wk Low	C\$2.54	Diluted	602.7
Cash (MM)	\$56.9	Mngt. & Dir.	0.5
Total Debt (MM)	\$276.7	Market Cap.	C\$2,680.4
NAVPS	C\$4.64	Float	C\$2,678.1
Price/NAV	1.02	EV	\$2,498.3
Dividend	\$0.00	Reserves	358 MMLb
Dividend Yield	0	Resv. + M&I Res.	13,888 MMLb

Source: Company reports, Cormark Securities estimates

## Outline

The Company offers exposure to one of Africa's largest developing copper assets with additional leverage to near term uranium production, exploration upside and a potential take-over premium. Lumwana remains one of Africa's largest developing copper operations. With off-take agreements, debt, and hedging in place, and construction essentially complete, the Company should have minimal problems advancing the project towards production. First concentrate is expected in July/August. The current uncertainty created by the new tax regime in Zambia remains to be resolved however we feel that EQN remains one of the premier mining investments on the TSX.

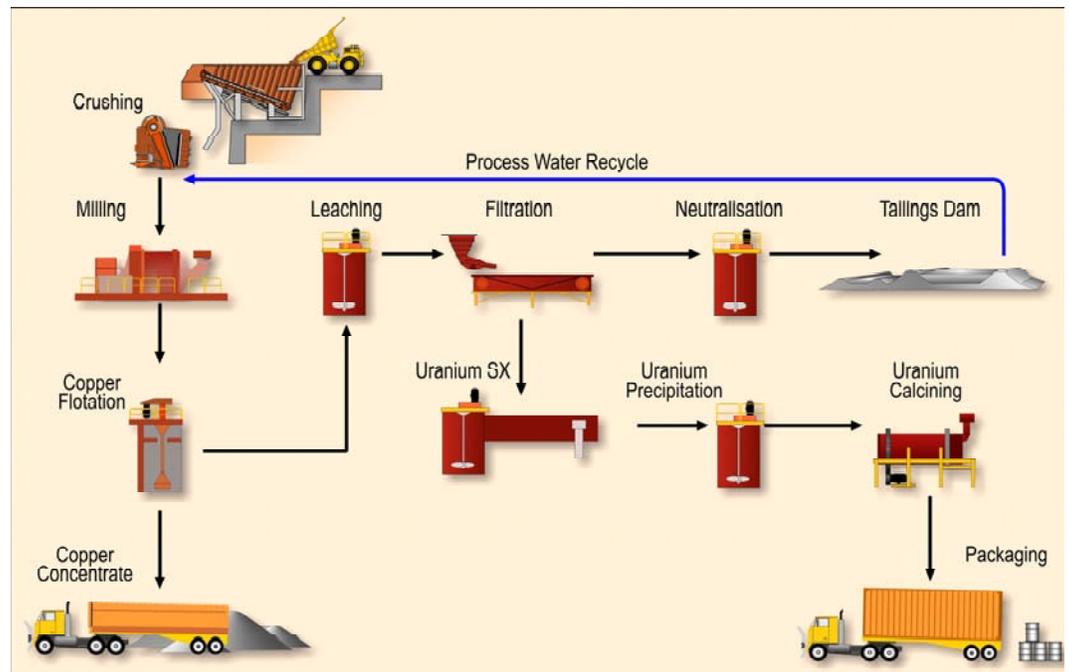
## Asset Overview

Equinox released the results of its Bankable Feasibility Study for its 100% owned Lumwana uranium resource, located in-pit at its Zambian operation in March of this year. The BFS presented the case for a very strong economic uranium operation piggy-backing on the infrastructure and development of the copper asset.

The Lumwana uranium BFS suggests a 1 MM tonne p.a operation producing approximately 2.0 MMLbs of uranium and 15,000 tonne of copper concentrate (17.6MMLbs of copper). The U plant design uses a conventional milling and flotation to produce copper concentrate for transport and sale to a copper smelting and refining facility. The U plant flotation tailings reports to the uranium leach circuit which uses conventional acid leach, solvent extraction, precipitation and calcinations to produce uranium oxide. Uranium recoveries are expected to be 93% and copper recovery is expected at 80%. Cash costs are expected to be \$16/lb or \$11/lb net of copper as a by-product. We had previously modeled \$14/lb. Capex is estimated at \$200MM; higher than our expected \$150MM where the main delta is comprised of \$26.0MM for contingency and \$30.8MM for Indirect EPCM related costs. Production is slated to begin 2010 and run for six years.

Figure 3

## Lumwana Uranium Flow Sheet



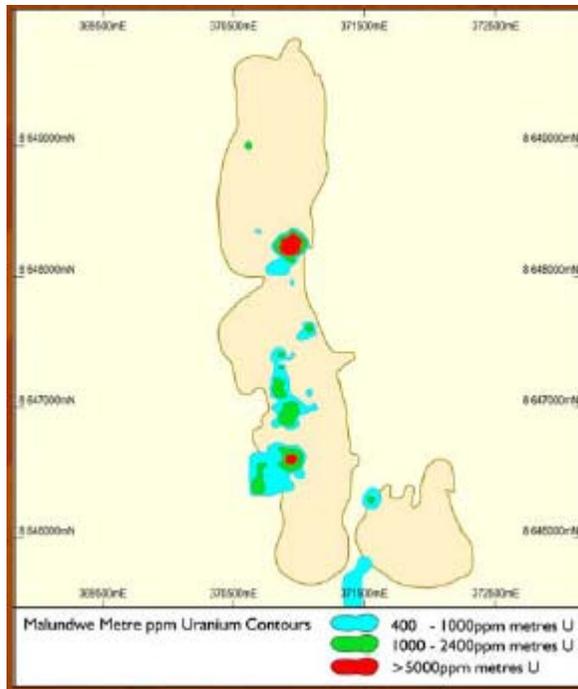
Source: Company reports

The BFS proposes a concurrent uranium mining operation with the copper operation, as the uranium ore will be mined from within the existing Malundwe and Chimiwungo pits and stockpiled in a dedicated facility. Following the commencement of production from the dedicated and standalone uranium processing plant, the stockpiled uranium ore would be reclaimed and trucked along a dedicated haul road to the uranium plant. Neutralized tailings would be stored in a separate uranium tailings storage facility with tailings return water re-used in the u-processing plant. Existing infrastructure (including waste rock dumps, raw water, potable water, housing access roads, owner supply etc) can be used and supplemented.

Detailed drilling of 170 holes has delineated a 43-101 reserve of 12.47 MMlbs of uranium using a cut-off grade of 0.024%, or 16.5 MMlbs at 0.012%. This compares with the 21.8 MMlbs previously discussed by the Company and assumed in our model. As such, the Company has delineated six years of mine life compared with our expected 10 years. It is noted that the Company has the potential to expand the known uranium resources through exploration, exploitation of non-copper pit resources and to extend the mineable resource through potentially lowering the cut-off grade. Our uranium NAV for the uranium operation is approximately \$0.57/share. We anticipate that any copper produced will be exposed to the new tax regime implemented by the Zambian Government in April (Cormark Mining Research April 01, 2008). The uranium operation remains unfunded.

Figure 4

In-Pit Uranium Resources at Malundwe



Source: Company reports

Valuation

Lumwana remains a world-class deposit, though we believe taxation changes and the impact to the existing stability agreement need to be resolved (we model the worst case scenario with both excess profit and windfall taxation being collected on day one). Our target of \$5.45 is based upon a 6.5x 2009 CFPS multiple. Any adjustment to the taxation expectations for the positive will be immediately accretive to our valuation. Besides copper production, Lumwana will be a significant uranium producer through 2010. On a recent trip to Zambia, we were pleased to hear the government's commitment to new uranium development in the country. We maintain our Buy recommendation.

# Fission Energy Corp.

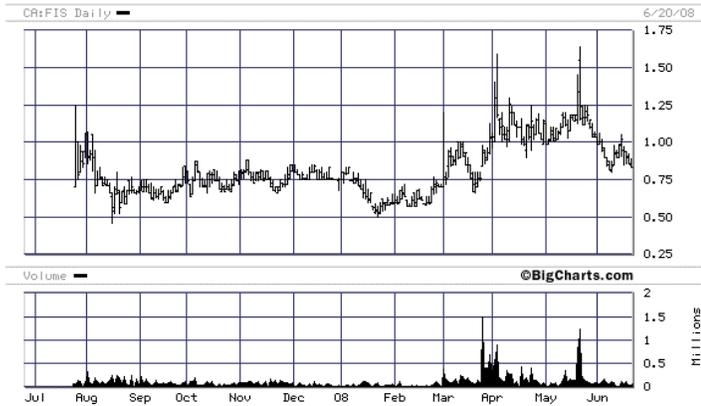
(FIS - C\$0.83, TSXV)

**Recommendation: NR**

**Target Price: NR**

**Figure 1**

**Price Chart**



Source: BigCharts (June 20/08)

## Outline

Fission Energy has a total 43-101 compliant uranium resource of 24.1 MMlbs. The Company is primarily focussed on its Canadian based properties, located in the prolific Athabasca Basin. FIS continues to accelerate development through joint ventures that the Company has on its various properties. We expect that Fission will be able to advance its properties to eventual production; however, we believe that it is more likely that the Company will be an acquisition target as its properties are strategically located in the Athabasca Basin, with the most strategic asset being the Waterbury Lake property in Saskatchewan.

## Asset Overview

The Company's main asset is its Waterbury Lake property in the north-eastern portion of the Athabasca Basin and encompasses Denison's (DML-TSX, Buy, Target C\$10.25/sh) Mid West project, which contains approximately 42 MMlbs U3O8 at an average grade of 5.27%. As well, the northeastern portion of the property lies adjacent to Hathor Minerals (HAT-TSXV- NR) recent discovery hole that returned 10.02% U3O8 over 15 m. This gives Fission a strategic location within the basin. The Company has several other properties in Canada including the Dieter Lake Property Lake in Northern Quebec, the North Shore project and South Shore Project in Northern Alberta, and the Duddridge Lake Property in Northern Saskatchewan.

**Waterbury- The Primary Focus**

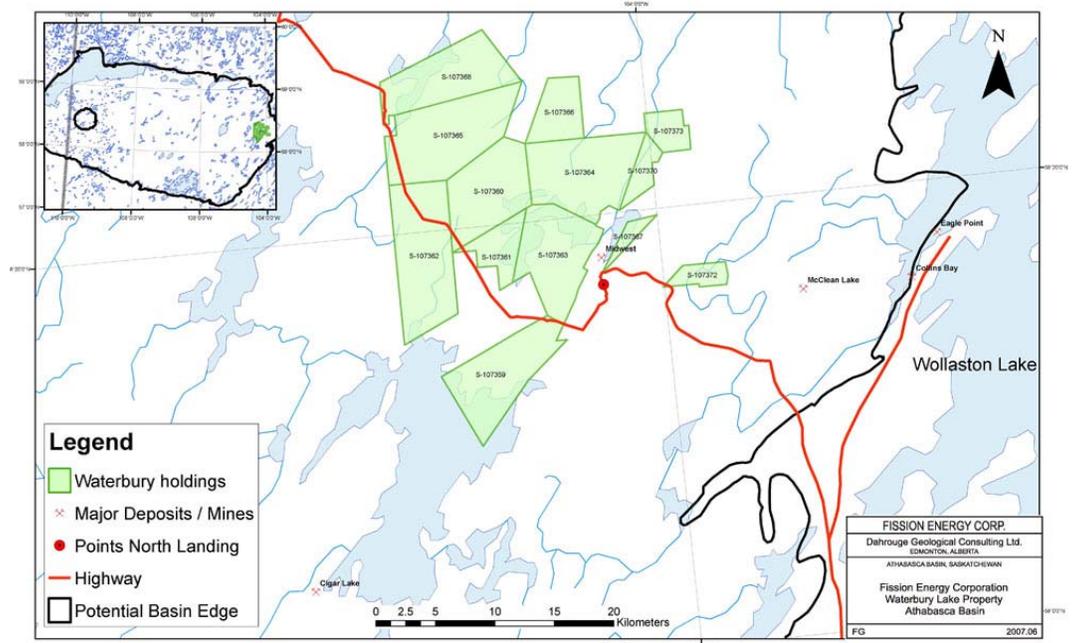
The Waterbury Lake Property nearly surrounds the Midwest Property with the Mae Zone within 1.1 km along the Midwest Conductor (Figure 3) to the south, within 550 meters due west. Clearly, the structural corridor and surrounding ground, upon which the Midwest Deposit, the Mae Zone, and recent discoveries are located, could yield more uranium occurrences. As well, the northeastern portion of the property lies adjacent to Hathor Mineral’s recent discovery hole that returned 10.02% U3O8 over 15 m.

There is an airborne magnetic and EM survey being conducted in the Discovery Bay area, which is the area of focus for current exploration and is adjacent to Hathor’s Roughrider zone. The current drilling program will include 8,000 m of diamond drilling with no results currently released. The 2007/08 exploration budget for Waterbury is \$5.5MM

Fission Energy announced the signing of a Memorandum of Understanding (MOU) with Korea Electric Power Corporation (KEPCO) for the joint development of the Waterbury Lake property in Athabasca Basin, Saskatchewan. The MOU will allow KEPCO to earn a 50% interest in the Waterbury Lake property. The terms of the deal are: KEPCO will complete a private placement with Fission for C\$1,000,000 at a price not less than C \$1.00 per share, KEPCO will have to spend a total of C\$14.00MM on the property over a three year period, Fission will retain the operating right to the property, and Fission will retain an overriding royalty interest in the property of 2% of Net Smelter Returns in yellowcake.

**Figure 2**

**Waterbury Holdings**



Source: Company reports

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**Other Properties**

The Davy Lake Property is located in northern Saskatchewan and consists of 1.1 MM acres within the north central area of the Athabasca Basin. The Company has identified a 51 km conductive zone on the property and has confirmed a large intense gravity anomaly. Mapping, rock and soil sampling, and geophysical work is underway. The Davy Lake Property is the largest contiguous exploration block in the Athabasca Basin.

The Dieter Lake Property Lake is located in Northern Quebec and consists of approximately 52,000 acres. The property contains an Inferred Resource of 19.3 MM tonnes at 0.057%  $U_3O_8$  resulting in 24.4 MMlbs of contained  $U_3O_8$ . The deposit remains open in all directions. Historically there has been exploration conducted on the property since the 1970's including mapping, sampling, geophysics and drilling which included 145 holes. From this work four main areas of mineralization have been discovered: Vivian, Nancy I, Nancy II, and Bert's. The Company is conducting a program of 5000 m of drilling to attempt to expand the resource and test potential higher-grade targets.

In addition, the Company has the North Shore project and South Shore Project in Northern Alberta, the Duddridge Lake Property in Northern Saskatchewan and the Macusani Property in southeastern Peru.

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**Valuation**

We do not currently provide a valuation for Fission.

# Hathor Exploration Limited

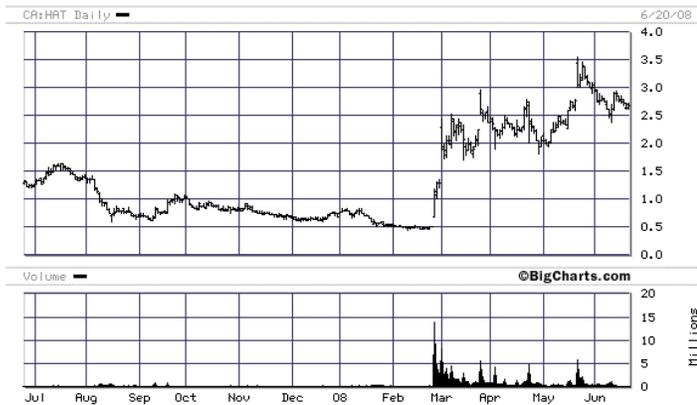
(HAT - C\$2.69, TSXV)

**Recommendation: NR**

**Target Price: NR**

**Figure 1**

**Price Chart**



Source: BigCharts (June 20/08)

## Outline

Hathor Exploration Ltd. is an exploration stage company engaging in the strategic acquisition and exploration of uranium deposits in Western Canada. The Company's property interests cover a total 464,134 hectares (1,146,900 acres) in the Athabasca Basin. Recently, the Company reported excellent intersections from its drilling program on the 90% owned Midwest NE project including: 15 m grading 10.02%  $U_3O_8$ , including 2 m at 43.85%  $U_3O_8$ , in drill hole MWNE-08-20. Hathor will be continuing to drill with six rigs on site and 15 holes planned for this year totalling a minimum 10,000 m. The Company's primary assets are located in the Eastern Athabasca Basin, on trend with McArthur River, Cigar Lake, Midwest, and Dawn Lake. The region has excellent infrastructure and the Midwest NE project is just 15km from the Mclean Lake mill.

## Asset Overview

The Company owns 12 properties in the Eastern Athabasca basin in Saskatchewan, which total approximately 464,134 hectares (1,146,900 acres). In addition to this, the Company holds nearly 19 million acres in the Hornby Bay Basin. The main focus remains on the Midwest NE Deposit which has yielded strong exploration results. We believe that the Midwest deposit has the potential to contain significant tonnage on the scale of Denison's Midwest Deposit. The project has the advantage of being close to existing infrastructure, including two of North America's three uranium mills, which provides a significant strength relative to many exploration and development companies. With the closing of the financing the Company now has approximately \$30MM in cash and should be well positioned to continue exploration.

## Midwest NE Project

The Company owns 90% of the Midwest NE property, which totals 502 hectares (1,240 acres) in the Eastern Athabasca Basin. The project is located approximately 4 km to the northeast of Denison's Midwest deposit. The depth to the Unconformity is approximately 200 m. During the winter season, the Company completed a 29 hole program for 10,654 m. The discovery of the Rough Rider Zone has yielded some excellent intersections including:

- 15 m grading 10.02%  $U_3O_8$ , includes 2 m at 43.85%  $U_3O_8$ , in drill hole MWNE-08-20
- 9.5 m grading 2.60%  $U_3O_8$ , includes 2 m at 10.39%  $U_3O_8$ , in drill hole MWNE-08-28

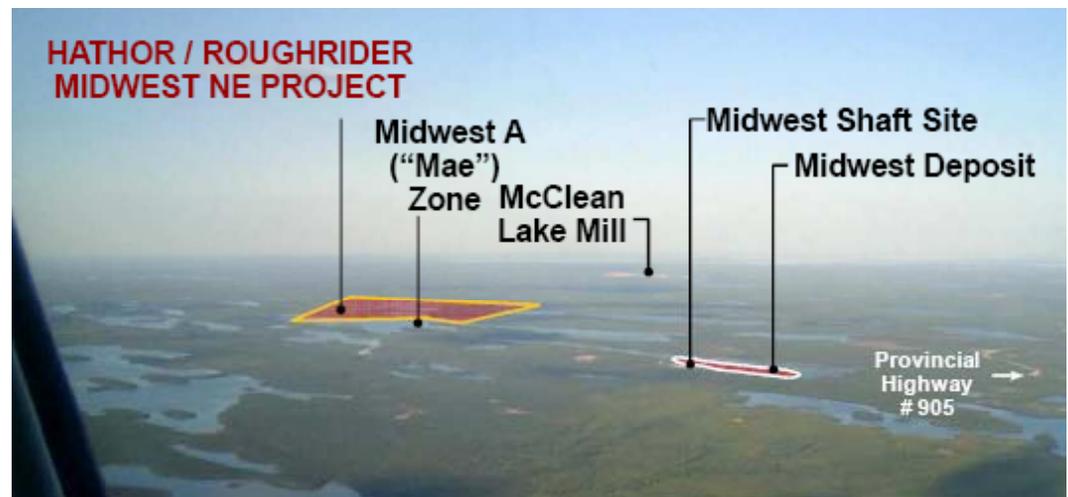
The zone remains open to the NE and the SW and the mineralization was hosted in basement rocks, similar to Cigar Lake. The unconformity has not yet been tested and provides an additional high priority target. The property is located 15 km from the Mclean lake mill. The Company has planned a 10,000 m drill program for this year.

## Focus On Athabasca

Hathor owns 12 properties in the Eastern Athabasca basin in Saskatchewan, which total approximately 464,134 hectares (1,146,900 acres). The properties include the Old Fort Bay Project, the Carswell Project, the Haultain River Project, the Vedette Lake Project, the Wollaston Northeast Project, the Hatchet Lake Project, the Midwest Northeast Project, the Milliken Creek Project, and the Russell South & Russell Lake Projects. The Company has a joint venture with Triex Minerals on the Old For Bay project. The Carswell project is a joint venture with ESO Uranium bordering AREVA's Cluff Lake Mine, and Haultain is a JV with Forum Uranium. At Russell South and Russell Lake, the Company has an interest in 177,100 acres, which are bordered by Denison's McArthur River mine, Key Lake Mine and the Moore Lake property.

Figure 2

## Project Location



Source: Company reports

## Other Properties

The Company owns 19 million acres in the Hornby Bay Basin, in the North West Territories, which is the formation which hosts the Eldorado Uranium Mine and the Mountain Lake uranium deposit. In addition, the Company owns 230,000 acres of land in the area of Eskay Creek.

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**Valuation**

Currently, we do not provide a valuation and target price for Hathor.

# Laramide Resources Ltd.

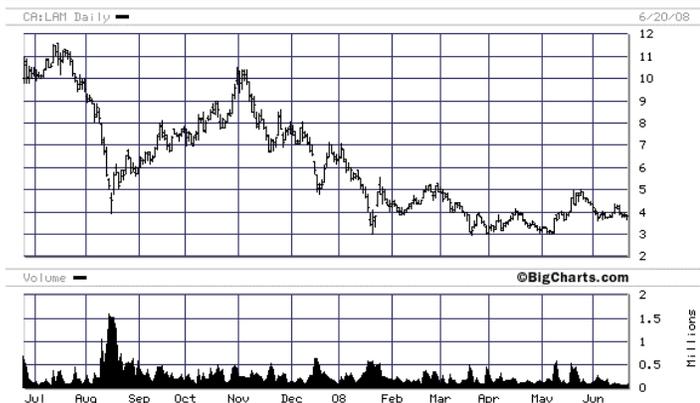
(LAM - C\$3.81, TSX)

**Recommendation: NR**

**Target Price: NR**

**Figure 1**

**Price Chart**



Source: BigCharts (June 20/08)

## 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 Uranium project situated in Queensland, Australia. The Westmoreland property has a large existing Indicated and Inferred NI 43-101 resource of approximately 49 MMlbs U<sub>3</sub>O<sub>8</sub>, at an average grade of 0.09% U<sub>3</sub>O<sub>8</sub>. The Westmoreland deposit ranks as one of the top 10 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 MMlbs 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, and the La Sal property situated in the White Mesa district of Utah. Laramide has a number of secondary projects and strategic investments in base metal and gold properties. They include the Goliath gold project situated in Dryden Ontario, and 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 situated 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.

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

## Westmoreland- The Primary Focus

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.

The Company acquired the Westmoreland project through its acquisition of Tackle Resources. In April 2004, Laramide Resources acquired Tackle Resource Pty. Ltd. through an initial payment of \$50,000 and 3 MM shares, with an additional \$100,000 paid a year later and 1.5 MM shares to be paid to Tackle should copper and gold resources be delineated on the property.

The project is located in north-west Queensland with an airport located 350 km away in Mt Isa and a port facility located 260 km away in Karumba. The deposit was discovered in 1956, and was owned by Rio Tinto from 1990 to 2000. Rio Tinto completed a pre-feasibility study on the project and determined an Inferred Resource of 17.4 MM tonnes at 0.12% U<sub>3</sub>O<sub>8</sub>. The project currently contains Indicated Resources of 8.0 MM tonnes at 0.088% U<sub>3</sub>O<sub>8</sub> and inferred resources of 16 MM tonnes at 0.094% U<sub>3</sub>O<sub>8</sub> for total contained U<sub>3</sub>O<sub>8</sub> of 48.5 MMLbs. The Company holds approximately 680,000 hectares in the area of the Westmoreland conglomerate, which includes the Westmoreland project and two joint ventures including the North East Westmoreland project with Nupower Resources Ltd (NUP: ASX,) a publicly listed Australian company and El Hussein with Hartz Range Mines, a private Australian company.

In May 2007, GRD Minproc completed a scoping study on the Westmoreland project for Laramide. The study indicated positive results at a U<sub>3</sub>O<sub>8</sub> price of \$50/lb. The study assumed a throughput of 1.5 MM tpa resulting in production of 3 MMLbs of U3O8 per year with costs of approximately \$21.80/lb. The mine life was estimated at 11 years. Capital costs were approximated at \$247.7MM. The mine would operate as a conventional open pit with an acid leach circuit.

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.

## Do Not Forget About the US Assets

The La Jara Mesa deposit is located in Southern New Mexico. An NI 43-101 Resource was completed at La Jara Mesa in 2006 and was amended in July 2007. The project has Measured and Indicated Resources of 1.6 MM tons at 0.23 % U3O8, which results in 7.3 pounds of contained U3O8. The project also contains an Inferred Resource of 0.8 MM tons at 0.20% U3O8, which results in 3.2 MM pounds of contained U3O8. There are four different deposits located on the La Jara property; Dena Rich, Dena Rich east, L Connection and Section 1.

The La Sal project is located in Utah in the White Mesa district, 55 km from Denison Mines Blanding Mill. There is currently a 1200 m long access drive into the deposit as Homestake had the operation permitted and planned to go into production in 1978 but abandoned the project when the uranium price decreased significantly. We expect that if Laramide is able to permit this operation, it will be a relatively straightforward matter to bring it into production as there is already access and the material could be toll milled at Denison's operation.

Although the Westmoreland property is the primary focus of the Company, we believe the Company's US assets give 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.

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**Valuation**

We do not provide a valuation and target price for Laramide, as we do not cover the Company.

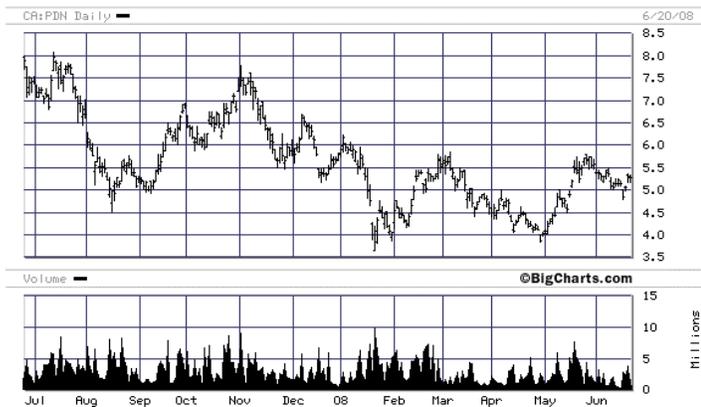
# Paladin Resources Limited

(PDN - C\$5.27, TSX; PDN - A\$5.48, ASX)

**Recommendation: TOP PICK**

**Target Price: C\$6.60**

**Figure 1 Price Chart**



Source: BigCharts (June 20/08)

**Figure 2 Statistics**

Current Price	C\$5.28	Shares Outstanding (MM)	
52 Wk High	C\$8.30	Basic	613.2
52 Wk Low	C\$3.65	Diluted	695.8
Cash (MM)	\$417.0	Mngt. & Dir.	8.7
Total Debt (MM)	\$583.2	Market Cap.	C\$3,237.7
NAVPS	C\$4.22	Float	C\$3,191.8
Price/NAV	1.2x	EV	\$3,403.9
Dividend	\$0.00	Reserves	45 MMLb
Dividend Yield	0%	P&P+M&I+Inf.	259 MMLb

Fiscal YE Jun. 30		C2008	C2009	C2010
Production (MM Lbs U3O8)	Q1	0.49 A	0.69	1.71
	Q2	0.69	0.95	1.71
	Q3	0.71	1.45	1.71
	Q4	0.67	1.66	1.71
MM lbs U3O8	FY	<b>2.56</b>	<b>4.75</b>	<b>6.85</b>
Cash Cost (/lb)	FY	<b>\$19.40</b>	<b>\$23.22</b>	<b>\$22.07</b>
Diluted CFPS, adj.	Q1	\$(0.03) A	\$0.04	\$0.13
	Q2	\$0.07	\$0.06	\$0.13
	Q3	\$0.04	\$0.09	\$0.11
	Q4	\$0.04	\$0.11	\$0.11
	FY	<b>\$0.11</b>	<b>\$0.30</b>	<b>\$0.48</b>
Prod. y/y chg			86%	44%
CFPS y/y chg			182%	61%
EV/Resource				\$13.14
P/CF		49.9x	17.7x	11.0x

Source: Company reports, Cormark Securities estimates

## Outline

Paladin Resources Ltd remains one of the premier emerging uranium companies in the sector. Paladin Energy is ramping production at its Langer Heinrich Mine in Namibia making it the first new producer to define, construct, and commence operations of a new uranium operation in the last decade. With the Company's first operation nearing full production and construction underway, this quarter at the Company's Kayelekera operations, 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 of 770 Mlbs in 2007, expected to grow to greater than 9.0 MMLbs in 2013 with full production at Kayelekera (3 MMLbs p.a.) achieved and stage III expansion to 6 MMLbs pa at Langer completed. Through the sequential expansions at Langer-Hienrich, the achievement of initial production at Kayelekera in 2009, and the continued subsequent advancement of the Valhalla project, over the next four to five years Paladin is ultimately poised to more than quintuple its U3O8 production from current levels, making its growth profile far stronger than its closest mid/large cap peers.

We expect that PDN will continue with both an aggressive development, exploration and acquisition strategy as it works towards becoming a top five producer of uranium globally. We maintain our C\$6.60 target and our Top Pick recommendation.

**Quintupling Production By 2013**

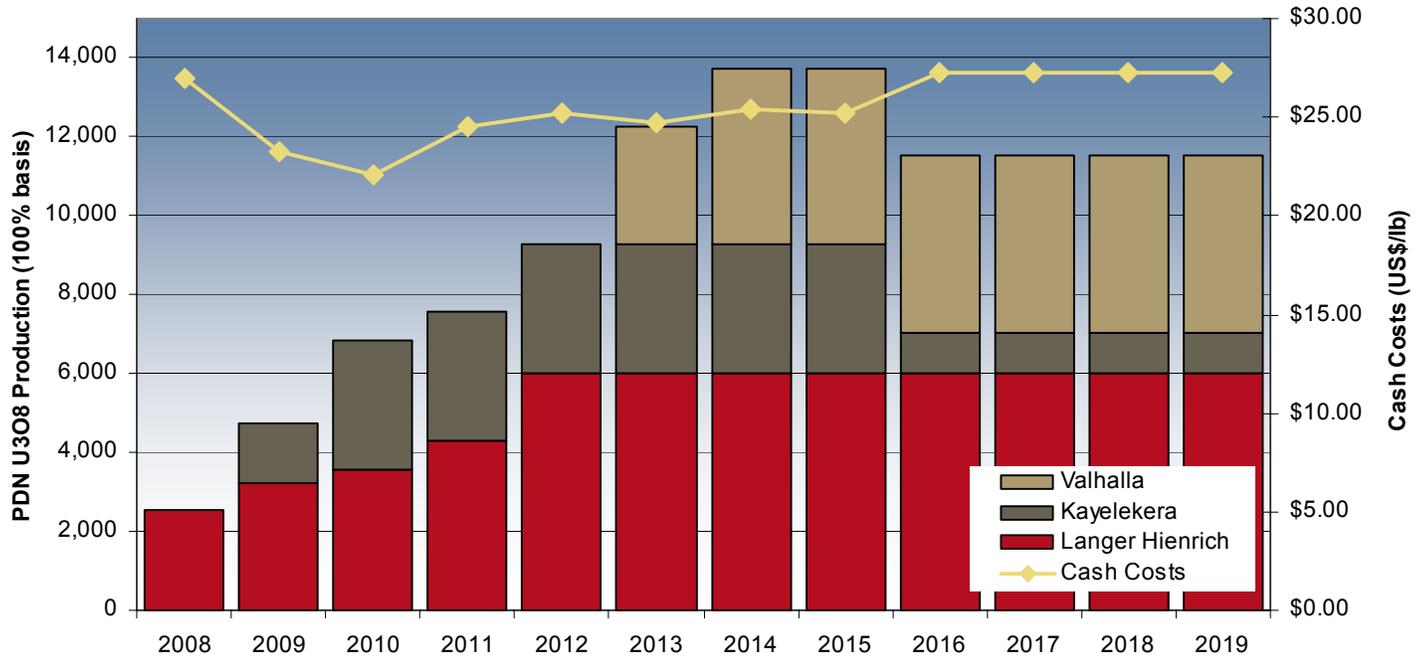
Producing 770,000 pounds of U3O8 in 2007, Paladin's 100% owned Langer-Hienrich mine in Namibia continues to perform to specification, and provide a solid base from which the Company will increase output. Likely to produce over 2.5 million pounds in 2008 (Cormark estimate) prior to undertaking the Stage II expansion in Q1/09 and the Stage III expansion shortly thereafter, Paladin's flagship operation boasts enviably low cash costs (~US\$20/lb) and a considerable resource base (105.6 MMlbs) easily capable of facilitating the phased growth plan. Upon installation of its second high-capacity dryer later this year, Langer will ultimately be capable of producing 8.6 MMlbs per year, though at present, we are forecasting the operation to achieve steady-state output of 6.0 MMlbs per year upon completion of the Stage III expansion in early 2012. Over the next several years, Paladin will spend an estimated US\$100 million -US\$150 million on these expansions and has already ordered most of the long-lead time items required for Phase II. Moreover, due to the fact that Langer is currently operating at its nameplate, albeit smaller-scale rate, the majority of the technical uncertainty and capital risk at the project have been overcome. While engineering challenges will have to be overcome at the project, particularly with respect to the sourcing of additional water for Stage III, this phase of Langer-Hienrich is still three+ years out, and as such there is ample time for design and engineering work to be completed by the Company.

Putting the successive production expansions at Langer-Hienrich aside, however, the Company is also bringing its second project, Kayelekera, into operation in the first half of next year. Though the 85% owned Malawian mine is unlikely to be fully ramped until early 2010, it should still produce over 1.5 MMlbs in its first calendar year of operation. With a mine life of seven years (plus three-five years worth of lower-grade stockpiles), Kayelekera will presumably not ramp beyond its 4,000 tonne per day nameplate capacity, but should nevertheless add upwards of 3.0 MMlbs of U3O8 on an annualized basis to PDN's production profile upon the declaration of commercial production. At present, the project is more than 30% through the construction process, and management on site has remained on track for a calendar Q1/09 commissioning at Kayelekera, ahead of our expectations at present.

With most of the Company's focus undoubtedly directed toward the sequential expansions at Langer-Hienrich and construction at Kayelekera, Paladin's 90.9% owned Valhalla project in Queensland, Australia has not received much attention from investors as of late, but still remains a store of value for Paladin, and should serve to round out the Company's robust growth pipeline beyond 2012. Acquired from Summit Resources last year, Paladin continues to conduct in-fill and step-out drilling at the project while working towards a Bankable Feasibility Study and Environmental Impact Assessment.

With over US\$400 million in cash on its balance sheet, a steadily increasing uranium production profile, strong operating margins, and considerable tax carry forwards, Paladin's growth should be entirely financed out of internally generated free cash flow. Through the sequential expansions at Langer-Hienrich, the achievement of initial production at Kayelekera in 2009, and the continued subsequent advancement of the Valhalla project, over the next four to five years Paladin is ultimately poised to quintuple its U3O8 production from current levels, making its growth profile far stronger than its closest mid/large cap peers.

**Figure 3** **Paladin's Production Growth Pipeline**



Source: Cormark Securities estimates

**Attractively Valued  
Producer Warrants A Top  
Pick Recommendation**

Calendar Q1 (fiscal Q3/08) was a strong one at Langer-Hienrich, as the mine reported its first full quarter of production at nameplate capacity. Not only did mine output total 490,800 lbs U3O8 over the three-month period, but the operation also reported low cash costs, coming in at an estimated US\$10.39 per lb produced. Though sales in the quarter (208,000 lbs) did not keep pace with production, we expect them to pick up over the balance of the year, as the Company has already built up considerable inventory in stockpiles, and can now start delivering more aggressively into its contracts, ramping up earnings and cash flow in the process. As Langer progresses through the final stages of de-bottlenecking, operating costs are likely to vary quarter to quarter, but should remain below US\$20 per pound produced going forward, which should provide strong operating margins. Over the intermediate to longer term, Paladin still boasts the best growth pipeline among its mid/large cap uranium peer group, as a quintupling of production is achievable by 2013 via the sequential expansions at Langer-Hienrich, and the addition of uranium output from both Kayelekera (next year) and Valhalla (2013). Currently trading at a modest multiple to its net asset value (1.2x), given the Company's robust growth pipeline, strong performance at Langer-Hienrich (as evidenced last quarter), and low cash costs going forward, Paladin should warrant a premium valuation in the market, particularly as it continues to deliver on its developmental milestones. Without needing to make an acquisition in the near term to sustain its growth, and sufficient cash on its balance sheet to fund future expansions and capex, Paladin is a top-quality Company, and well deserving of a Top Pick recommendation. Utilizing a 5% discount rate at Langer-Hienrich, Kayelekera, and Valhalla, and ascribing nominal value for each of Paladin's additional, earlier stage projects, we estimate a NAV/sh for PDN of US\$4.22, down marginally from US\$4.40 due to the depreciation in value of the Company's equity stake in Deep Yellow Limited (DPL-AU). Applying a 1.5x NAVPS target multiple, we continue to recommend Paladin Energy as a Top Pick, with a 52-week target of \$6.60.

# Strathmore Minerals Corp.

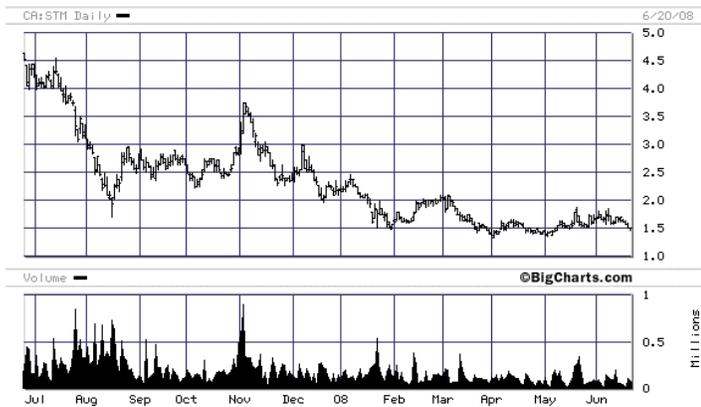
(STM - C\$1.52, TSXV)

**Recommendation: NR**

**Target Price: NR**

**Figure 1**

**Price Chart**



Source: BigCharts (June 20/08)

## Outline

Strathmore Minerals has a total uranium portfolio of more than 100 MMlbs of historical resources of which over 50 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 advance 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

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 1 MM 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 cost. Currently, the Company is in its third year of permitting at Roca Honda and second year at Church Rock. In addition to the Company's New Mexican projects, they have over 70 MMlbs of 43-101 compliant and historical resources located throughout the US. This provides the Company with optionality and the potential for JV's, spinouts and sale of non-core assets.

**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 MMlbs 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 1 MM 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.

Roca Honda and Church Rock contain a total of 49 MMlbs of 43-101 complaint resources. Church Rock is an ISL target having over 300 M 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 with a conventional mining operation. The Company has initiated permitting of the operation.

At Roca Honda, there is a total resource of 33 MMlbs and is owned 40% by Sumitomo. This project has over 800 M feet of drilling with internal feasibility studies completed by Kerr McGee. The Company is nearly two 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 MMlbs-3 MMlbs p.a. production.

**Figure 2 STM's Uranium Portfolio and Resource Status**

Name	Location	Resource Classification	Tonnage	Grade (%U3O8)	lbs/U3O8
Gas Hills (Bullrush, LocoLee, George-Ver)	Wyoming	Historical M & I	6,131,504	0.069	8,440,490
Gas Hills (Frazier, LeMac)	Wyoming	Historical Demonstrated	696,327	0.11	1,522,000
Gas Hills (Andrea)	Wyoming	Historical M & I	739,565	0.06	949,100
Gas Hills (East Day Loma)	Wyoming	Historical M & I	456,096	0.21	1,940,945
Gas Hills (New Rock Hill)	Wyoming	Historical Demonstrated	900,000	0.05	900,000
Gas Hills (Jeep)	Wyoming	NI 43-101 M&I	316,636	0.08	483,395
		NI 43-101 Inferred	152,762	0.05	168,003
West Reno (Reno Creek)	Wyoming	NI 43-101 M&I	5,677,929	0.065	7,433,499
		NI 43-101 Inferred	2,633,800	0.065	3,406,771
Pine Tree	Wyoming	Historical Demonstrated	1,947,000	0.07	2,646,000
Historical:		Historical Inferred	625,000	0.06	750,000
Sec. 36 (Sw Reno Creek)	Wyoming	NI 43-101 M&I	2,590,943	0.068	3,526,495
		NI 43-101 Inferred	1,163,130	0.057	1,327,635
SWD Claims Area	Wyoming	Historical Demonstrated	497,000	0.09	944,000
		Historical Inferred	271,000	0.08	400,000
FMC Claim Area	Wyoming	Historical Demonstrated	1,992,000	0.09	3,670,000
Ketchum Butes	Wyoming	Historical Demonstrated	1,135,000	0.064	1,454,900
Juniper Ridge	Wyoming	Historical Inferred	2,750,000	0.1	5,500,000
Copper Mountain	Wyoming	Historical M & I	45,570,000	0.027	24,607,800
Sky Project	Wyoming	NI 43-101 Indicated	668,688	0.07	948,098
		NI 43-101 Inferred	55,086	0.05	54,496
Church Rock	New Mexico	NI 43-101 M&I	6,221,467	0.1	11,848,007
		NI 43-101 Inferred	1,950,560	0.09	3,525,342
Roca Honda	New Mexico	NI 43-101 M&I	3,782,000	0.23	17,512,000
		NI 43-101 Inferred	4,546,000	0.17	15,832,000
Roca Honda North	New Mexico	Historical Demonstrated	87,000	0.18	312,000
Marquez,	New Mexico	Historical Demonstrated	2,754,000	0.17	9,362,000
West Largo	New Mexico	Historical Demonstrated	20,000	0.12	46,000
		Historical Inferred	362,000	0.21	1,534,000
Nose Rock	New Mexico	Historical Demonstrated	6,694,217	0.135	18,230,955
Dalton Pass	New Mexico	Historical Demonstrated	3,470,000	0.07	4,735,000
		Historical Demonstrated	459,000	0.085	765,000
Sec. 2 13N 9W	New Mexico	Historical Inferred	198,665	0.167	665,268
Chord	South Dakota	Historical Demonstrated	1,727,000	0.11	3,800,000

Source: Company reports

### 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), Uranium One, 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. Many of the projects in the region are located very close to each other and consolidation could bring economies of scale 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, URRE 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 remanded to the USEPA the issue whether the Section 8 Churchrock property was Indian country. Uranium Resources Inc has reported that a Tenth Circuit Court decision regarding "Indian Country issues and their uranium deposit at Church Rock may be forthcoming in 2008".

## Wyoming First

The bulk of STM's technical experience has been focused within Wyoming and on ISL operations. Due to 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. The Company anticipates production at its Gas Hills operations in 2010 where a centralized processing plant is being considered.

## Production and Permitting

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 currently in the permitting and planning phase.

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. 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 MMlbs-5 MMlbs U3O8 combined) 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

2010. We see STM's advanced permitting drawing the attention of those would-be consolidators within the USA.

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**Valuation**

We do not currently have a target or valuation on Strathmore.

# Uranerz Energy Corp.

(URZ - C\$3.19, TSX; URZ - 2.92, AMEX)

**Recommendation: NR**

**Target Price: NR**

**Figure 1**

**Price Chart**



Source: BigCharts (June 20/08)

## Outline

Uranerz (URZ) is an exploration and development company with both late and early stage uranium projects based in North America. The Company's primary assets are its Nichols Ranch and Hank properties, situated in the Powder River Basin of Wyoming. In conjunction with Nichols Ranch and Hank, Uranerz has the Doughstick, Collins Draw, North Rolling Pin, Willow Creek, and West North Butte projects, which provide the Company with a strong pipeline of future ISL projects. URZ is aggressively advancing its Nichols Ranch and Hank ISL properties in Wyoming with first production expected by late 2010 to early 2011. URZ offers investors exposure to an emerging uranium producer with a management team with a proven track record, and with properties situated in the stable geopolitical environment of the USA.

## URZ – The Next US Producer?

Uranerz represents what could be the next uranium producer in the USA and is therefore levered to US production in a period where security of US based energy supply is of utmost importance. The Company's primary focus remains its Wyoming based properties. The total global resource, to date, of the Company's properties within the Powder River Basin is 11.4 MMlbs U<sub>3</sub>O<sub>8</sub>, with an average grade of approximately 0.08% U<sub>3</sub>O<sub>8</sub>. We anticipate further resource definition through continued drilling in 2008 and beyond. Complimenting its initial land package, is the Company's 81% JV with United Nuclear (NAMMCO), that allows the Company to significantly increase its land package three-fold from 13,752 hectares to 46,126 hectares. The NAMMCO properties are situated to the south of its existing properties in the Pumpkin Buttes District of the PRB. Moving forward, we believe that URZ will focus its attention solely on its PRB properties, with initial production at its Nichols Ranch and Hank properties coming in early 2011. The Powder River Basin hosts the only US ISL operation through Cameco's Smith Ranch operations, where 2007 production was approximately 2.0 MMlbs U<sub>3</sub>O<sub>8</sub>. As such URZ's properties are located proximal to infrastructure, allowing the Company the ability to bring its fields into production at minimal capital cost.

## Focus: Nichols Ranch And Hank

The Company is focused on its Nichols Ranch and Hank properties in the Powder River Basin where the Company officially submitted applications for mining licenses and permits in December 2007. Currently, the Company plans for the main facility to be located on the Nichols Ranch property with satellite facilities on its other properties. Hydrologic test wells have been installed at the Hank and Nichols Ranch properties for aquifer pump tests. At Nichols Ranch, a pre-feasibility study is currently underway. The Company completed 214 holes on the property in 2007. Pump tests have returned positive results. The property has an Indicated Mineral Resource of 1 MM tons at 0.109%  $U_3O_8$  and Inferred Mineral Resources of 128,869 M tons at 0.11%. At the Hank property, a pre-feasibility study is also currently underway. The property has measured and Indicated Resources of 907,275 tons at 0.123%  $U_3O_8$  for 2,236,050 lbs and Inferred Resources of 142,218 tons at 0.087%  $U_3O_8$  for 246,753 lbs. The project had been extensively drilled prior to Uranerz ownership. The Company has completed a positive pump test and a mine plan. Production is expected in the first half of 2011 with production from a satellite facility, which will provide material to the main facility at Nichols Ranch. The deposits on the properties consist of sand stone-type roll front deposits with mineralization in the form of uranium oxide, pitchblende and coffinite.

The Company will likely have a centralized processing plant situated at its Nichols Ranch property. This facility will process primary solutions from the Nichols Ranch property and will process loaded resin from its regional satellite properties at North Nichols, East Nichols, Doughstick, North Rolling Pin, C-Line, Hank, and Willow Creek. This ISL processing setup is standard within the industry; as such there is lower risk in the URZ ramping process than many other operations. The Company will begin mining solutions at its Nichols Ranch and Hank properties and will then look to bring its other PRB properties into production.

Uranerz is advanced in the permitting process and should allow the Company to commence production in early 2011. The Company has announced that it has submitted its applications to the U.S. Nuclear Regulatory Commission and the Land Quality of the Wyoming Department of Environmental Quality (WDEQ) allowing for construction and operation of its in-situ leach plant at Nichols and Hank. The applications outline production of 2.0 MMlbs p.a.  $U_3O_8$  at its Nichols Ranch and an ion-exchange facility at its Hank operations. Members of the Uranerz management team were responsible for permitting three of the eight commercial ISL operations in Wyoming which should provide them with the necessary experience to move the project forward.

## Powder River Basin

The Company has thirteen projects in the Powder River basin, all of which have at least historical indications of uranium. These projects include Doughstick, Collins Draw, North Rolling Pin, Willow Creek, West North Butte, C-Line, East Nichols, North Nichols, Verna Ann, Reno Creek, Niles Ranch, Nichols Ranch and Hank. Several of the properties have historic resources including measured and indicated resources as summarized below:

- Doughstick 86,120 tons at 0.067%  $U_3O_8$  for 115,400 lbs.
- Collins Draw 318,392 tons at 0.089%  $U_3O_8$  for 566,738 lbs.
- North Rolling Pin 597,863 tons at 0.053%  $U_3O_8$  for 656,643 lbs.
- Hank 907,275 tons at 0.123%  $U_3O_8$  for 2,236,050 lbs.
- Willow Creek 346,047 tons at 0.060%  $U_3O_8$  for 411,807 lbs.
- West North Butte 774,824 tons at 0.148%  $U_3O_8$  for 2,293,478 lbs.

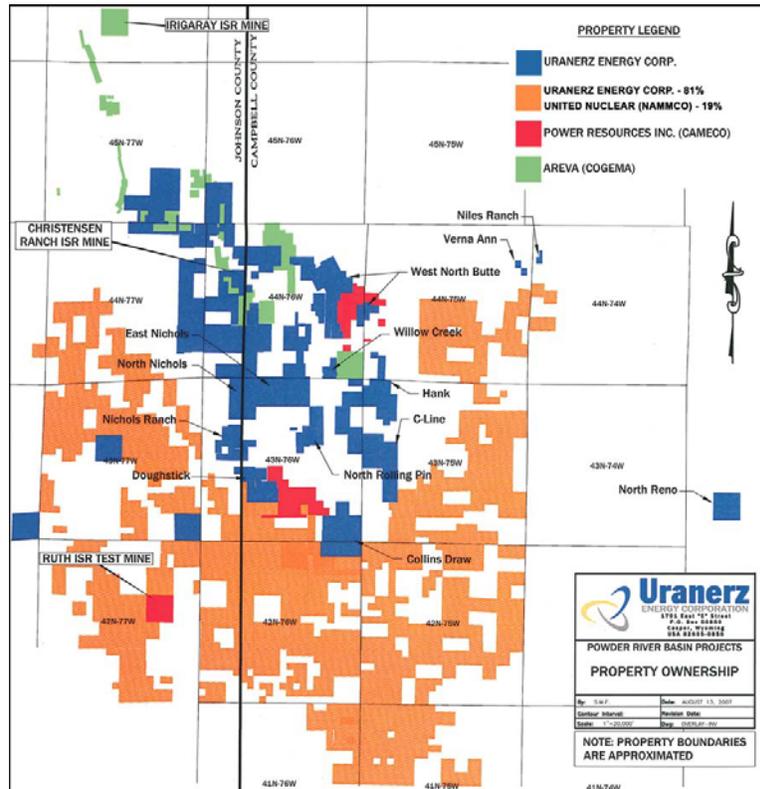
There are also inferred mineral resources of:

- Doughstick 779,625 tons at 0.067% U<sub>3</sub>O<sub>8</sub> for 1,039,500 lbs.
- Collins Draw 466,264 tons at 0.089% U<sub>3</sub>O<sub>8</sub> for 828,000 lbs.
- North Rolling Pin 316,439 tons at 0.050% U<sub>3</sub>O<sub>8</sub> for 313,398 lbs.
- Hank 142,218 tons at 0.087% U<sub>3</sub>O<sub>8</sub> for 246,753 lbs.
- Willow Creek 203,196 tons at 0.055% U<sub>3</sub>O<sub>8</sub> for 222,616 lbs.
- West North Butte 1,020,391 tons at 0.148% U<sub>3</sub>O<sub>8</sub> for 3,021,867 lbs.

Complementing its initial land package is the Company’s 81% JV with United Nuclear (NAMMCO) allowing the Company to increase its land package three-fold from 13,752 hectares to 46,126 hectares. The NAMMCO properties are situated to the south of its existing properties in the Pumpkin Buttes District of the PRB. The initial 43-101 report on the NAMMCO package of land suggests historical resources of between 41 MMlbs to 79 MMlbs U<sub>3</sub>O<sub>8</sub> at an average grade ranging from 0.059% to 0.114% U<sub>3</sub>O<sub>8</sub>. The Company has initiated its 2008 exploration program on the NAMMCO properties and we anticipate a steady flow of news that should start to confirm the resource potential that was outlined in the 43-101 report.

Figure 2

Property Map



Source: Company reports

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**Other Properties**

The Company has joint ventured its Canadian, Mongolian and Wyoming Great Divide Basin properties to allow it to focus on its key properties in the Powder River Basin. The Company has additional assets in Wyoming in the Great Divide Basin. The projects have been joint ventured with Black Range minerals. Black Range has the right to earn a 50% interest in the joint venture by spending \$750,000 in exploration within three years, and at least \$100,000 per year.

The Company has properties in Saskatchewan, which consists of 28,012 hectares, 80 km northeast of Cameco's Eagle Point Mine in the Athabasca basin. They have optioned the property to Triex minerals (TXM). Triex can earn 60% through cash payments of \$75,000 and \$1.5MM in exploration spending by November 1 2009. Currently Triex has completed a geophysical and geochemical program and follow up exploration should continue this year.

The Company also has property in Mongolia, which they have optioned to Blue Rock Resources (BRD). The property includes 284,815 hectares. Blue Rock can earn 70% through a cash payment of \$120,000, 150,000 shares and exploration expenditures of \$1.5MM by October 18, 2009. Uranertz maintains a clawback agreement to acquire back a 21% interest in the joint venture within 120 days of receiving the feasibility study.

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**The Path Forward**

The Company has begun the permitting process with permits expected by December 2009. The Company is completing a technical study on the Nichols Ranch and Hank properties with the results expected by July 01, 2008. The Company has a \$9MM exploration budget for this year with five drills turning on the properties. Initial exploration results are expected mid-summer.

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**Valuation**

Currently, we do not provide a valuation and target price for URZ.

# Uranium One Inc.

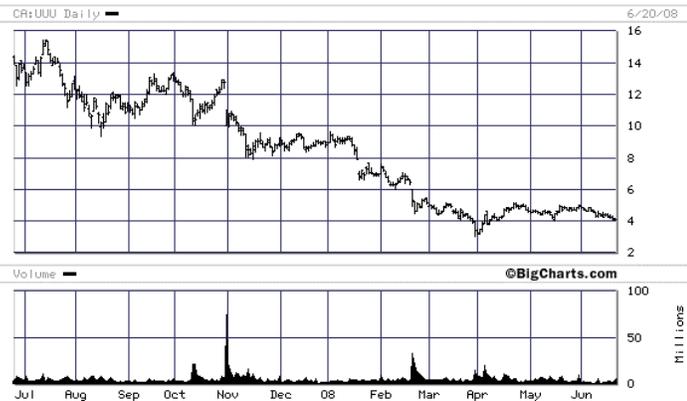
(UUU - C\$4.11, TSX)

**Recommendation: REDUCE**

**Target Price: C\$3.80**

**Figure 1**

**Price Chart**



Source: BigCharts (June 20/08)

**Figure 2**

**Statistics**

Current Price	C\$4.11	Shares Outstanding (MM)	
52 Wk High	C\$15.45	Basic	467.5
52 Wk Low	C\$3.04	Diluted	467.5
Cash (MM)	\$160.2	Mngt. & Dir.	12.0
Total Debt (MM)	\$159.1	Market Cap.	C\$1,921.2
NAVPS	C\$3.83	Float	C\$1,871.9
Price/NAV	1.1x	EV	\$1,920.1
Dividend	\$0.00	Reserves	56 MMLb
Dividend Yield	0%	P&P+M&I+Inf.	446 MMLb

Fiscal YE Dec. 31		2008E	2009E	2010E
Production	Q1	0.58 A	0.94	1.26
(MM Lbs U3O8)	Q2	0.57	0.96	1.31
	Q3	0.63	0.98	1.50
	Q4	0.63	0.98	1.70
MM lbs U3O8	FY	2.41	3.86	5.79
Cash Cost (/lb)	FY	\$12.75	\$22.03	\$17.37
Diluted CFPS, adj.	Q1	\$0.00 A	\$0.06	\$0.14
	Q2	\$0.04	\$0.06	\$0.14
	Q3	\$0.03	\$0.07	\$0.14
	Q4	\$0.03	\$0.06	\$0.19
	FY	\$0.10	\$0.25	\$0.61
Prod. y/y chg			60%	50%
CFPS y/y chg			139%	145%
EV/Resource				\$4.30
P/CF		39.4x	16.5x	6.7x

Source: Company reports, Cormark Securities estimates

## Outline

UUU is a large cap uranium producer with production at its Dominion operation in South Africa and its Akdala operation in Kazakhstan. The Company will ramp its South Inkai and Kharasan operations in Kazakhstan. If successful in ramping these operations, UUU is poised to produce just short of 10 MMLbs of U3O8 by 2012.

## Execution Risk Dictates A Cautious Approach:

Uranium One had intentions of producing approximately 18 MMLbs of U3O8 by 2012, which would have made it potentially one of the largest pure play uranium producers globally. However, based on a more conservative forecast of its Dominion operations, we believe that this production target is unlikely and we are now forecasting production of less than 10 MMLbs of attributable production. We continue to view 2008 as a critical year for the Company as it is set to bring its Dominion operations into full production and prove to the markets that Dominion can successfully operate at nameplate capacity. The Company looks to start production at its US operations while continuing to ramp production at its Kazak operations and develop its Australian operations. As such, we view UUU as a riskier investment than its peer group as we believe there continues to be significant execution risk as it ramps production at its South African, Kazak, and US operations. The Company has started the process of selling non-core assets, with the agreement in principle to sell its stake in Alease gold.

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**All Eyes On Dominion**

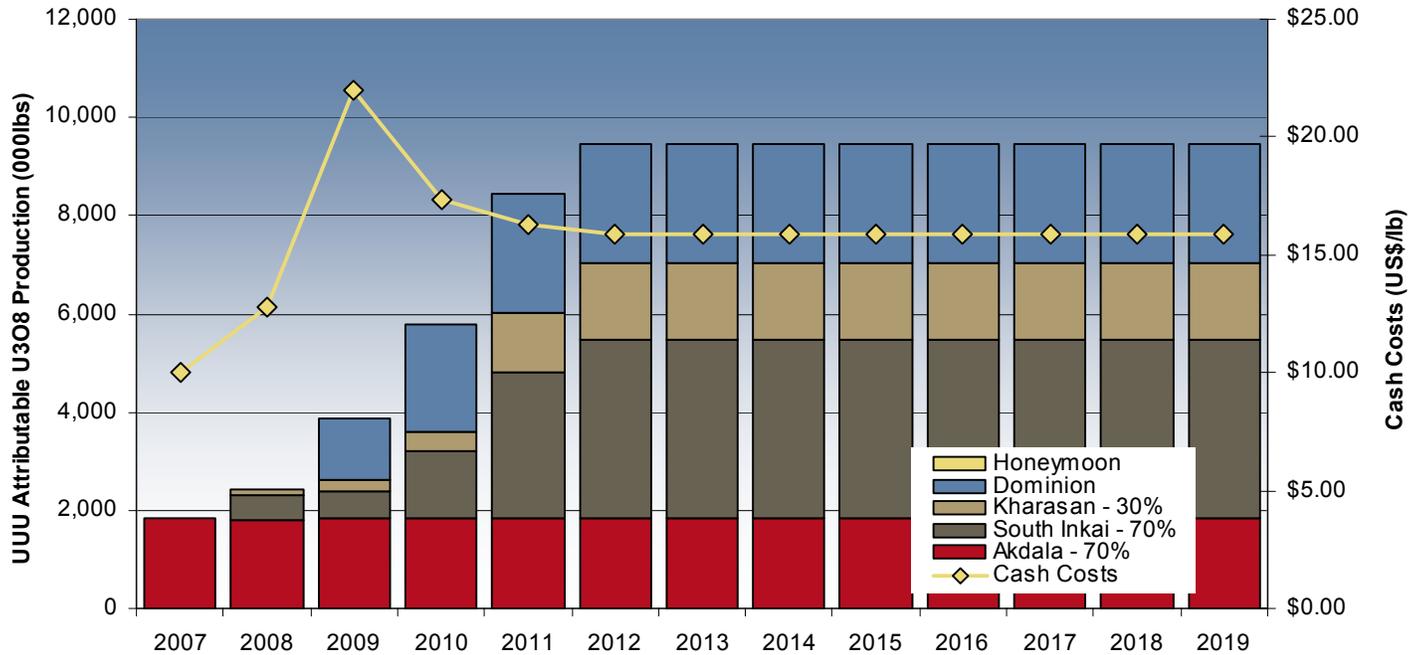
Producing 171,000 lbs U3O8 in 2007 and 42,900 lbs in the first quarter of 2008, Dominion continues to under perform, as it has thus far been unable to meet its underground mining production targets. Forced to rely upon the reprocessing of low-grade surface tailings as supplemental mill feed, the head grade to the plant has been an order-of-magnitude lower than originally anticipated, and as such both production and costs have suffered dramatically. Though we are expecting a gradual increase to underground mine production rates over the balance of this year, we still do not expect Uranium One to achieve commercial production at Dominion until the first half of 2009. Moreover, higher-than-expected dilution and resultant lower-than-forecasted grades are likely to persist through 2009, and as such, we do not expect Dominion to reach its full production capacity until early to mid 2010. Costs, likewise, will presumably remain high (~US\$90/lb produced) during the pre-commercial ramping phase at Dominion given the shortfall in underground mine production, low mill head grades, and near total lack of gold by-product credits. Once reaching steady state production, however, operating costs should stabilize around the US\$43.00/tonne processed level, or US\$25/lb-US\$30/lb U3O8 produced after applying recovered gold ounces as a by-product credit. Nevertheless, severe technical and timing risk continues to persist at Dominion, and although upside and optionality are undoubtedly present, until Uranium One can demonstrate its ability to operate the mine to design specifications, we remain apprehensive as to the overall economic viability of the project. We therefore maintain a discount rate of 15% in our Net Asset Value calculation of Dominion, but would look at reducing this metric in the event that UUU can demonstrate operational improvement on site.

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**Solid Growth And Proven Track Record At Kazakhstan Operations**

In spite of the operational difficulties Uranium One has faced at Dominion to date, it has managed to operate its 70% owned Akdala in-situ-leach uranium project in Kazakhstan well over the past year. Producing over 1.8 MMlbs of U3O8 to the Company's account in 2007, the technically straightforward project boasts enviably low cash costs (2007 – US\$10.00/lb U3O8 produced) and a sizeable resource capable of supporting a 10-15 year mine life. Fully permitted for 2.6 MMlbs of U3O8 production per year (100% basis), because the mine currently operates at this rate, further ramping and expansion will not be required. Rather, production growth for UUU from this region of the world will come via the addition of two new ISL projects; South Inkai (70%) and Kharasan (30%) both located within the immediate vicinity of Akdala. At South Inkai, initial operation began last quarter with the mine producing and stockpiling over 140,000 lbs U3O8. At present, the operation has only a test-mining permit capping output at 780,000 lbs per year (100% basis), but once design recoveries (+80%) are demonstrated at the project, similar to Akdala, a permit will be granted allowing U3O8 extraction on site to increase to 5.2 MMlbs per year. At present, we are forecasting UUU to be granted this permit in Q1/10, prior to ramping uranium production gradually over the following year and subsequently reaching design capacity. In the latter half of 2008, we expect the Company to begin extracting U3O8 from its third Kazakh asset, the Kharasan project (30% owned by UUU) also currently permitted for 780,000 lbs per year during its test-mining phase, similar to South Inkai. Forecasted to produce 5.2 MMlbs per year (100% basis) upon demonstration of design recoveries being achieved, we expect Kharasan to begin adding material U3O8 output to Uranium One at the outset of 2011. Given the technically straightforward nature of the ISL process, costs should remain extremely low (sub US\$15.00/lb produced) provided that the Company is able to source sufficient sulphuric acid supply required to operate all three projects. Uranium One will be hosting an analyst tour to its Kazakh operations toward the end of this month, and we will obtain greater clarity pertaining to sulphuric acid costs and supply at that time.

**Figure 3 Uranium One's Production Growth Pipeline**



Source: Cormark Securities estimates

**Remaining Cautious Until Dominion Demonstrates Improvement**

Although Uranium One's production profile appears robust at first glance, the reality is that significant technical risk continues to persist at Dominion, and the production ramp at South Inkai and Kharasan in Kazakhstan will not only be quite gradual, but also largely dependent upon the supply and cost of sulphuric acid in the region. As such, we utilize a 15% discount rate at Dominion and a 10% discount rate at Uranium One's Kazakh operations, but do acknowledge the possibility of decreasing these rates if Dominion shows improvement, and our confidence in the sulphuric acid market in Kazakhstan improves after the site visit. Further out in the production pipeline, the Company recently announced that it has suspended development of its 100% owned Honeymoon project in South Australia, and as a result, we have taken the operation out of our net asset value calculation entirely. Regarding Uranium One's suite of projects in the United States, although we do not include them in our production model at present, we do ascribe nominal value (US\$2.00/lb-US\$2.50/lb) for both La Palangana and Moore Ranch. The end result is a Net Asset Value estimate of US\$3.83 per fully diluted UUU share including both its cash and debt balances. Applying a 1.0x NAVPS target multiple, we are maintaining our target price of C\$3.80, and our Reduce recommendation. Within the mid/large cap producer space, we continue to prefer Paladin and Denison, as both offer immediate production, excellent growth profiles, strong operating margins, and low project-specific technical risk.

# UEX Corporation

(UEX - C\$3.65, TSX)

**Recommendation: BUY (S)**

**Target Price: C\$7.75**

**Figure 1 Price Chart**



Source: BigCharts (June 20/08)

**Figure 2 Statistics**

Current Price	C\$3.65	Shares Outstanding (MM)	
52 Wk High	C\$9.30	Basic	183.6
52 Wk Low	C\$3.19	Diluted	194.1
Cash (MM)	\$43.1	Mngt. & Dir.	3.2
Total Debt (MM)	\$0.0	Market Cap.	C\$670.2
NAVPS	C\$5.75	Float	C\$658.5
Price/NAV	0.64	EV	\$627.1
Dividend	\$0.00	Reserves	
Dividend Yield	0	Resource	134 MMLb

Source: Company reports, Cormark Securities estimates

## Outline

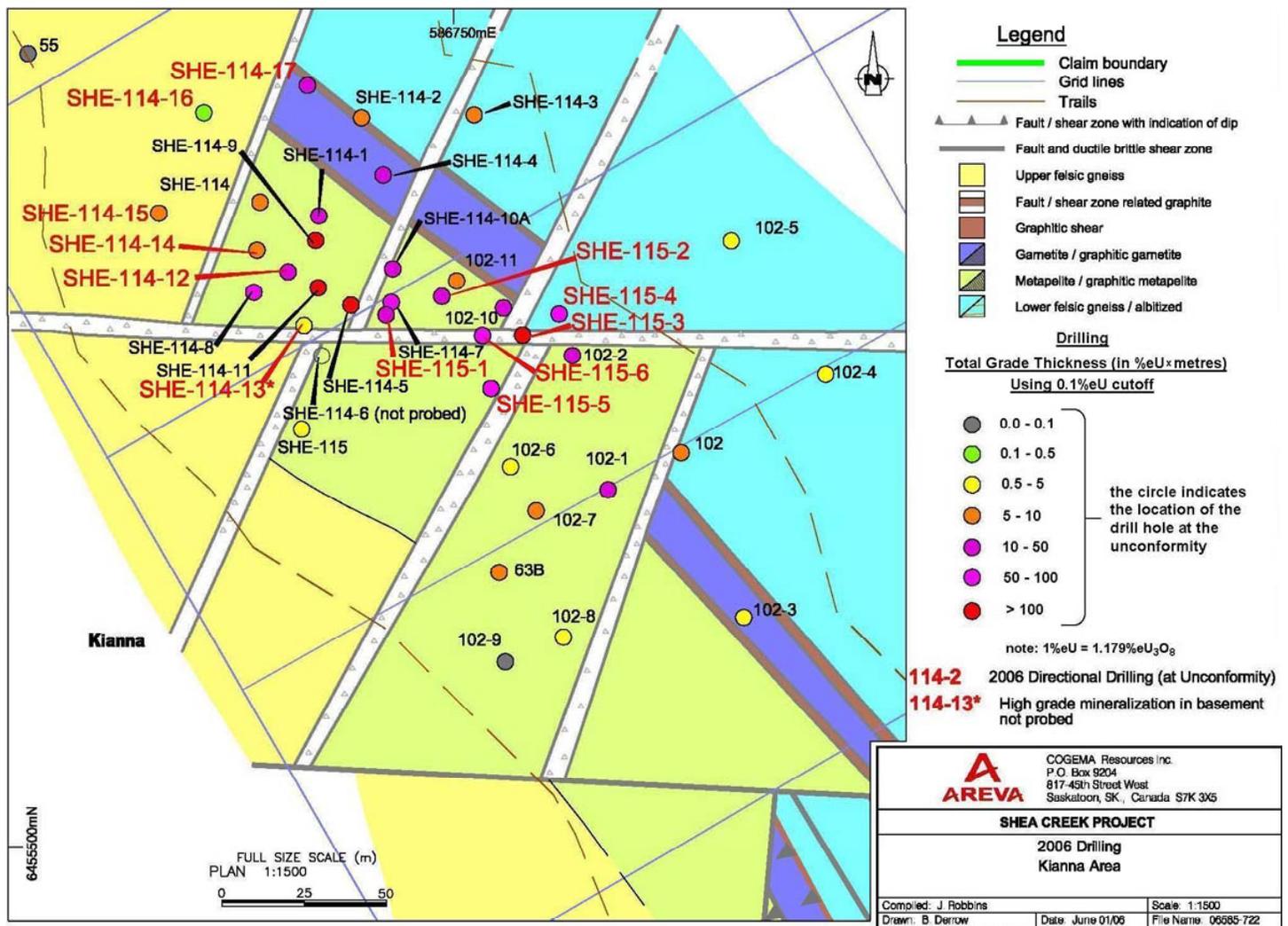
UEX is a Canadian blue chip uranium exploration company formed under an agreement between Pioneer Metals and Cameco Corporation. UEX is aggressively pushing forward with a diverse portfolio of advanced and grassroots exploration programs with its key asset being the Shea Creek deposit where it has earned-in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

## Patience Will Be Rewarded

Our previous work suggested that the resource at Shea Creek could now be in excess of 160 MMLbs (82 MMLbs 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. We have adjusted our valuation methodology for the advanced explorers and developers away from the “pounds-in-the-ground” approach to a DCF derived target. We are decreasing our target from C\$13.35 to C\$7.75, as we now approach our valuation based upon a calculated NAV derived via formulation of production scenarios for both its eastern and western basin assets.

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 it currently reacts to market releases and focus on new discoveries. However, in the last three 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 is always slow compared with other global projects; however, an asset of this quality does not come around often. In 2008 UEX is spending \$25MM on exploration, representing one of the largest global exploration budgets.

**Figure 3** Kianna Drill Hole Locations



Source: Company reports

**\$20.3MM 2008 Exploration Budget At Shea Creek**

It has been well over a two years 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. Over eight sets of drill results have followed confirming and extending the discovery.

On June 18, 2008 UEX released results from Shea Creeks winter drilling program. This program was primarily focused on the regional targets away from primary zones of mineralization. UEX announced that it discovered a new zone of mineralization between Kianna and Anne. This new discovery returned grades of 8.9% over 6.1 meters in hole SHE 123-8. The hole was collared 150 meters south of the existing Kianna mineralization and 400 meters north of the Anne deposit. This new discovery furthers our thesis that the Kianna-Anne corridor could be consistently mineralized. The Company has moved two dedicated rigs to this zone. We await further results from this summers work.

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% U<sub>3</sub>O<sub>8</sub> was intersected over 15.4 meters in the basement suggest that a foundation for a significant resource expansion has been established.

In 2008, four drill rigs will focus on the three Shea Creek deposits and the areas between and beyond them.

The first drill will begin drilling 150 metres south of the Kianna Deposit from pilot hole SHE-123. The last hole completed, SHE-123-2, intersected high-grade basement-hosted mineralization grading 2.80% U<sub>3</sub>O<sub>8</sub> over 4.9 metres. It is believed that the mineralization is part of a large basement structure seen further at depth and is parallel to the main mineralizing structure seen at the Kianna Deposit itself, 150 metres to the north. The goal is to continue testing this structure for additional mineralization.

A second drill will concentrate on expanding the southern portion of the Anne Deposit that still remains open in all directions. Directional drilling will start from pilot hole SHE-125 (drilled in 2007) with the goal of connecting the mineralization seen at the Anne Deposit to the SHE-105 series of mineralized holes (drilled in 2000) located 100 metres along strike to the southeast.

A third drill will revisit the southern portion of the Colette Deposit. The drilling programs at both the Anne and Colette Deposits were halted due to the discovery of the Kianna Deposit in July 2005. This part of the program will follow up on the last drilling fence at Colette where hole SHE-111-5 intersected 0.38% U<sub>3</sub>O<sub>8</sub> over 8.4 metres directly below the unconformity and 0.44% U<sub>3</sub>O<sub>8</sub> over 22.0 metres in the basement. Currently, this intersection remains open and the next drill fence is 250 metres further to the southeast. Basement-hosted mineralization was intersected for the first time in the southern part of the Colette Deposit in the fall of 2004. All other mineralized intercepts had previously been characterized by unconformity-type mineralization, opening the possibility that the high-grade basement-hosted mineralization as discovered at Anne and Kianna is also present at Colette.

A fourth drill will investigate the Saskatoon Lake Conductor 1.5 kilometres south of the Anne Deposit where drill hole SHE-2 (drilled in the early 1990's) displayed hydrothermal alteration in the sandstones (dravite, drusy quartz, black organic material, tilted blocks) and basement. A flat-lying and brecciated shear zone was also intersected from 706 to 706.7 metres, grading 0.73% U<sub>3</sub>O<sub>8</sub>.

In 2007 Shea Creek moved from exclusively exploration to include initial development work totalling approximately \$3.3 million. A budget of \$10.0 million is planned for development work in 2008. The first phase of development proposed by AREVA is the

sinking of one or two shafts, and an exploration drift, with related test mining facilities. Each of the proposed shafts will have a vertical depth of approximately 950 metres and an estimated capital cost of \$100 million. Any shaft sinking must be preceded by the required regulatory process, the first step of which is the submission to the regulators of a Project Description. AREVA is currently preparing the Project Description for submission to the federal and provincial regulatory agencies.

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**We Reiterate – Early Days Yet**

Kianna represents one of the best new discoveries in the basin over the last 20 years, but we 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 two-three years of drilling will be required to define the true extent of this system. Like at McArthur River, the partners have chosen 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 six-eight years. The west side of the Athabasca Basin does host the reclaimed Cluff Lake mine-site up the road from 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.

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**Raven-Horseshoe**

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 6.7 MM tonnes at an average grade of 0.16% representing approximately 23 MMlbs of contained U<sub>3</sub>O<sub>8</sub>. 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).

Horseshoe and the adjacent Raven Deposit are located less than five kilometres south of Cameco Corporation's Rabbit Lake operations, and 12 kilometres southeast of AREVA Resources Canada Inc.'s ("AREVA") McClean Lake operations. Both deposits are hosted by competent basement rocks that could be amenable to both open-pit and conventional underground ramp access mining methods, pending a positive feasibility study.

Winter 2008 drilling, including that of 2007 and 2006, has now defined the Horseshoe deposit over a strike length of 550 meters. Throughout this area, mineralization occurs in several stacked, linear and shallow dipping, east-northeast plunging zones. These have now been defined continuously to the limits of mineralization at a drill spacing of 15 meters to 30 meters. Golder expects to provide an initial 43-101 resource for Horseshoe this summer. It is expected that, based upon the tight drill spacing conducted, the resource will be in the measured and indicated category at which time the project will be move to feasibility. The winter 2008 drilling program at the Raven Deposit continued to expand along 30 metre step-out cross sections along strike, with some infill drilling

where necessary to provide a minimum 30 metre drill spacing for resource calculation. Apart from some infill holes which will be required early during the summer 2008 program, drilling at Raven is sufficient to proceed with the planned fall, 2008 timeline for completion of a resource estimate. Recent and historical drilling suggests that mineralization is still open in some areas to the east, and these areas will be further tested later in the summer program.

To date, mineralization has been defined over a strike length of approximately 600 metres in a horizontal, cylindrically-shaped zone fringing an area of intense clay alteration that is developed in the hanging wall of a steeply dipping fault. Mineralization occurs near the axis of the Raven syncline at depths of 50 meters to 275 metres below surface. Highest grades typically occur in its upper northern and central margins, where intersections such as seen in hole RU-095 are locally developed. Areas of lower grade mineralization, which typically grade between 0.05% and 0.15% U(3)O(8), may be developed over widths of several tens of metres, defining several sub-horizontal, elongated zones that are controlled by the distribution of lithologic units.

Drilling during the summer of 2008 is planned to commence in early June and will consist of a three stage drilling program comprised of the following:

- Further infill and step-out drilling at Raven, and testing of historically known mineralization northeast of Horseshoe to be conducted during June and July utilizing three drills;
- Helicopter supported drilling of outlying targets such as Tent-Seal, Rhino, Shamus and Rabbit West, to be conducted during August and September utilizing two drills, where previously alteration and mineralization have been intersected in several holes; and
- Further ground drill testing of targets in the Raven-Horseshoe and Telephone Lake areas to be conducted late during the program.

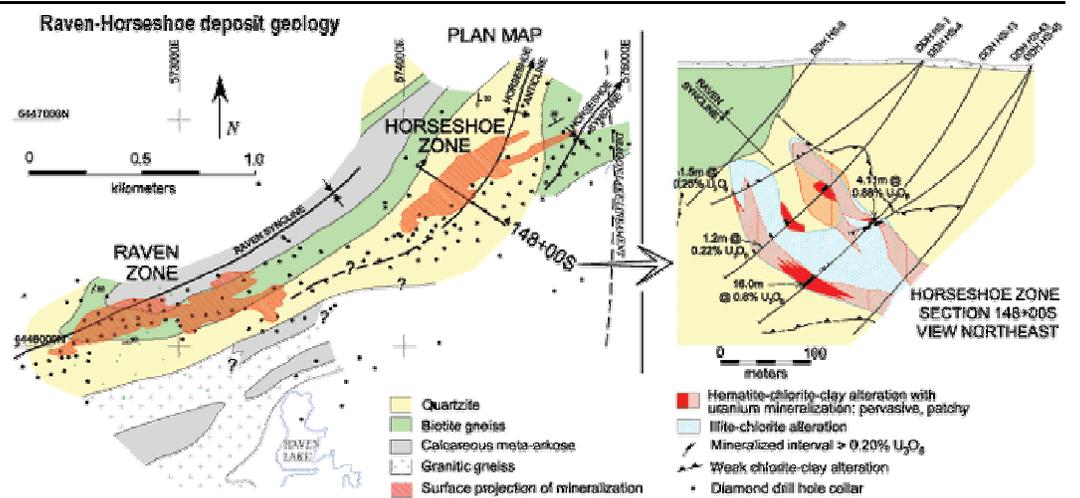
The regional drilling program will be complemented by high-resolution airborne radiometric and magnetic surveys, which will be flown during June 2008 over much of the southern and central portions of the Hidden Bay Project by Geo Data Solutions Inc. (GDS).

**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 of the RH and to a lesser extent the West Bear deposits as compared with 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 five 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 therefore not attracting the same level of regulatory scrutiny as an operation would if attempting to build a mill or develop a tailings management facility.

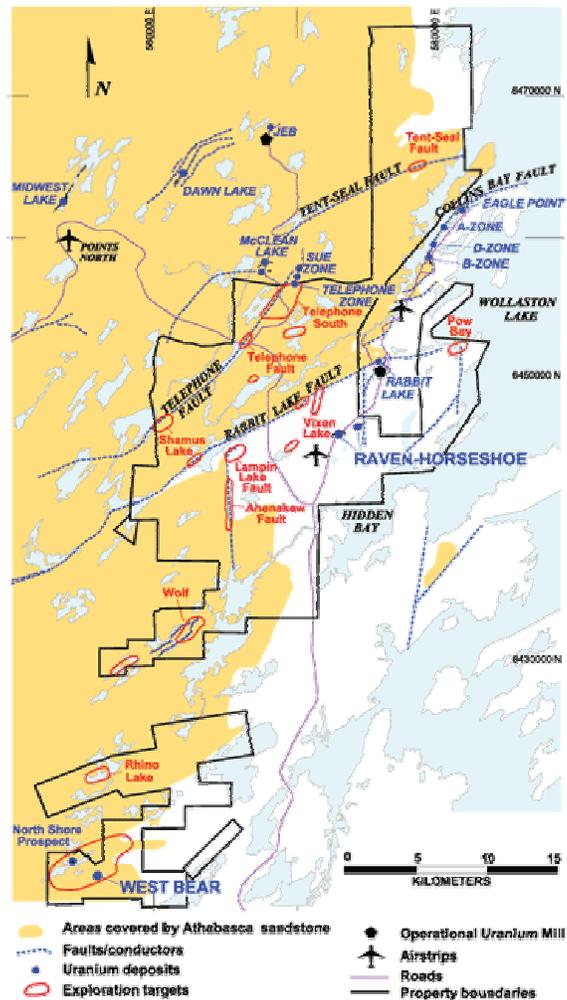
**Figure 4**

**Raven-Horseshoe Deposit - Schematic**



Source: Company reports

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



Source: Company reports

**Certainly A Target**

Cameco maintains its +20% share of UEX and Cogema has 51% of the Shea Creek project. However, with Raven-Horseshoe (23 MMlbs) 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. 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 world's best uranium address and as such will be actively sought by those looking to enter the industry and have immediate impact. The potential is there to use Raven as a future tailing facility, and with the unused front-end capacity available at Cameco's Rabbit Lake mill once Cigar Lake comes into production increases the insitu value of UEX's eastern basin assets to the majors in the district.

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**Valuation**

We have assumed that in 2011/12 UEX could start production at its Raven and Horseshoe deposit through conventional open-pit mining at a very small scale with transport and toll-milling to either Cameco or Areva's proximal mills. This would result in initial production of 700 Mlbs in 2011 expanding to 4.6 MMLbs in 2012/13. Based upon the low tonnage expected and low operating costs, we have modelled production costs on the order of \$10/lb - \$12/lb. We suggest that capex for a small open-pit mined via contractual miners and fleet will be on the order of \$200MM. In 2014, we have modelled Shea Creek potentially coming into production at a capex of \$1BB for which UEX would be responsible for 49%. We assume key operating costs and parameters similar to those of Cigar Lake. At full production we expect that Shea Creek could produce between 6 MMLbs – 8 MMLbs p.a. We assume the lesser of which UEX would have 49% share. The above assumptions are hypothetical; however they do provide us with a better indication of the implied value of the asset based upon inferred production rather than purely a resource based multiple. As such, we are decreasing our target from C\$13.35 to C\$7.75 as we move to a DCF based rather than a pounds in the ground valuation and maintaining our Speculative Buy recommendation. We are currently applying a 1.4xNAV multiple to take into account the exploration potential of the UEX assets. The asset quality and technical work performed by the Company remains at the highest level. The strategic importance of the assets should maintain focus on the Company through the next three-five years.

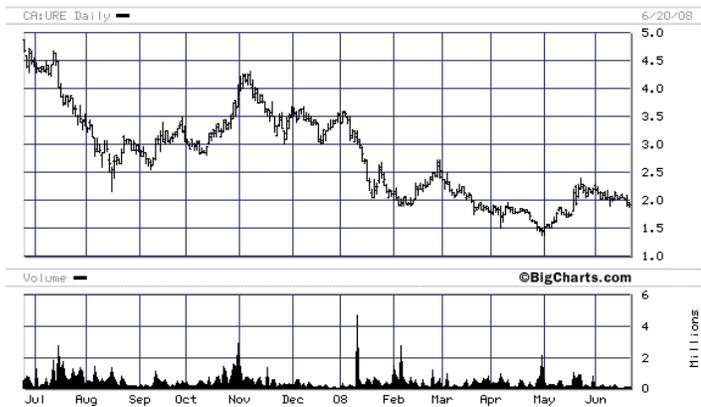
# Ur-Energy Corporation

(URE - C\$1.92, TSX)

**Recommendation: BUY**

**Target Price: C\$3.25**

**Figure 1 Price Chart**



Source: BigCharts (June 20/08)

**Figure 2 Statistics**

Current Price	C\$1.92	Shares Outstanding (MM)	
52 Wk High	C\$5.03	Basic	92.2
52 Wk Low	C\$1.37	Diluted	100.2
Cash (MM)	\$76.4	Mngt. & Dir.	9.2
Total Debt (MM)	\$0.0	Market Cap.	C\$177.0
NAVPS	C\$3.23	Float	C\$159.3
Price/NAV	0.59	EV	\$100.6
Dividend	\$0.000	Reserves	0 MMLb
Dividend Yield	0%	Resv.+ M&I Res.	25 MMLb

Source: Company reports, Cormark Securities estimates

## Updating Growth Plan For URE

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, North Hadsell, Toby, and Kaycee properties situated in Wyoming, which have a previously defined historic uranium resource of approximately 49 MMLbs U3O8. Further enhancing its US position, URE also 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. The Lost Creek and Lost Soldier properties have a defined NI 43-101 compliant resource of 24.9 MMLbs. The Company is actively advancing these deposits and as the two deposits lie adjacent to one another using a satellite-operating concept where the primary facility is on one site with satellite facilities feeding the primary site.

Figure 3

The Wyoming Properties- Lost Creek And Lost Soldier



Source: Company reports

**Moving Towards Production**

UR-Energy continues with its development plans having completed \$82.7MM in financings through 2007, submitted its LC Application to NRC and WDEQ, completed an in-house economic assessment on its Lost Creek project and drilled over 300 holes throughout the year. Ur Energy continues to expect initial production in the fourth quarter of 2009.

Our previous reports detail our expectations for the Company as it moves towards production. The Company’s first project is the Lost Creek. In 2007, the Company completed over 255 holes and installed over 75 water quality monitor wells at its Lost Creek project. The NI 43-101 resource is currently sitting at 10.1MMlbs. Results from the 2007 drilling suggest that the mineralized roll fronts may be thicker than originally thought and as such may contain more primary mineralization.

The Company has completed its preliminary assessment on the project and is suggesting a six-mine unit producing a total of 8.1MMlbs from which 80% recovery will be achieved. The Company expects capital expenditures of \$32.5MM attributable to drilling, environmental and engineering as well the capital required for a 2MMlbs per annum ISR plant, has been pegged at \$30MM. First production is scheduled for Q4/09. The Lost Creek facility is planned three miles south of the Rio Tinto’s Sweetwater mill, which already has a NRC license attached. The studies conducted as part of this permitting will

act as a strong base line for the new proposed plant. Total production costs for production out of Lost Creek are pegged at less than \$25/lb.

In 2008 the Company hopes to drill in excess of 400 delineation and exploration holes, prepare the first mine unit (complete design pattern, install well ring and pump test monitor ring), install a disposal well, construct main access road and shop, advance all regulatory requirements and continue with detailed engineering.

The Company's second key asset is the Lost Soldier deposit where the Company has defined a 43-101 resource of 14MMlbs at an average grade slightly greater than 0.06%. The deposit is located stratigraphically 50 feet below the water table. The Company plans on continuing the environmental baseline data collection, continue engineering studies, a preliminary economic analysis and prepare to submit permit applications.

In total the URE intends on spending \$6.4MM on exploration this year over five different exploration properties, completing approximately 137 drill holes and drilling 140,00 feet. Exploration continues of various Canadian projects as well.

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### Why We like Ur-Energy

**Near-Term Production:** URE has aggressively advanced its Lost Creek and Lost Soldier deposits throughout 2007. We expect further development of these properties through 2008 and ultimately production should begin in Q4/09. 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 indicates 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 ft - 500 ft) compared with 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 Spring, North Hadsell, Toby, and Kaycee) and an accurate database exists that outlines a historic resource. The experience 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.

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**Production Around The Corner**

We have modeled URE starting production in 2010/11 with its Lost Creek deposit coming on line and ramping to full production in 2012 at 1.0 MMlbs per annum. We have forecast the Company bringing its Lost Soldier into production in 2012 and hitting full production in 2013 at 1.0 MMlbs. In total, we have modeled URE producing 2.0 MMlbs 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.

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**Under Valued When Considering Near-Term Production And Balance Sheet**

URE is positioned well with two projects moving through permitting and towards production slated for 2009, a series of development projects located proximal to existing production and infrastructure, and a portfolio of exploration projects to drive future development.

We continue to take the conservative route as we anticipate that permitting will be the overall delay for the project, despite the fact that the federal government has accepted the initial application as complete. We have modeled production in 2011 starting at 700 M lbs growing to 2 MMlbs at full production. We consider Wyoming one of the best jurisdictions in the US for uranium development and exploration. We are decreasing our target to C\$3.25/share from C\$3.75/sh based on a 1xNAV multiple, an increased discount rate to 7% and an updated price deck. We maintain our Buy recommendation and suggest that the URE has the potential to beat our production expectations and therefore improve its valuation through technical execution.

# Uranium Participation Corporation

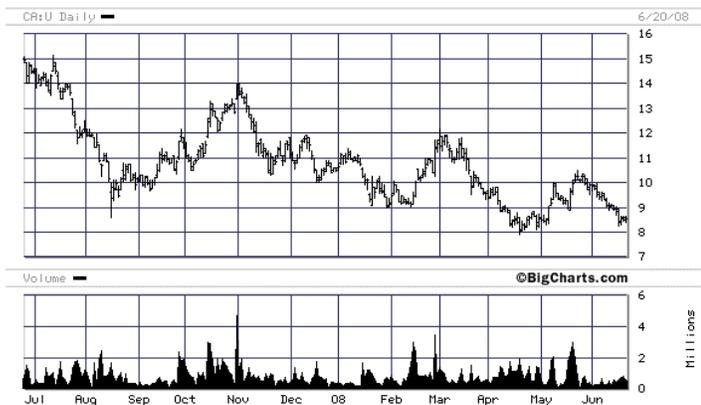
(U - C\$8.55, TSX)

**Recommendation: BUY**

**Target Price: C\$9.90**

**Figure 1**

**Price Chart**



Source: BigCharts (June 20/08)

**Figure 2**

**Statistics**

Current Price	C\$8.55	Shares Outstanding (MM)	
52 Wk High	C\$16.19	Basic	72.3
52 Wk Low	C\$7.92	Diluted	75.2
Cash (MM)	\$3.3	Mngt. & Dir.	0.0
Total Debt (MM)	\$0.0	Market Cap.	C\$618.4
NAVPS	C\$7.75	Float	C\$618.4
Price/NAV	1.10	EV	\$615.0
Dividend	\$0.00	U308	5,375 MLb
Dividend Yield	0	UF6	1,492 Mkg

Source: Company reports, Cormark Securities estimates

### Alternative Investment – Pure Play

Uranium Participation Corporation is an investment holding company created to invest in uranium oxide ("U<sub>3</sub>O<sub>8</sub>") and Uranium Hexafluoride (UF<sub>6</sub>), an intermediate form of U<sub>3</sub>O<sub>8</sub>; with the primary investment objective of achieving appreciation in value of its uranium holdings.

Uranium in its oxide and intermediate forms offers no true futures market, and although a rough liquid market has been attempted it has had minimal results. Essentially there is 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".

### True Leverage To The Commodity

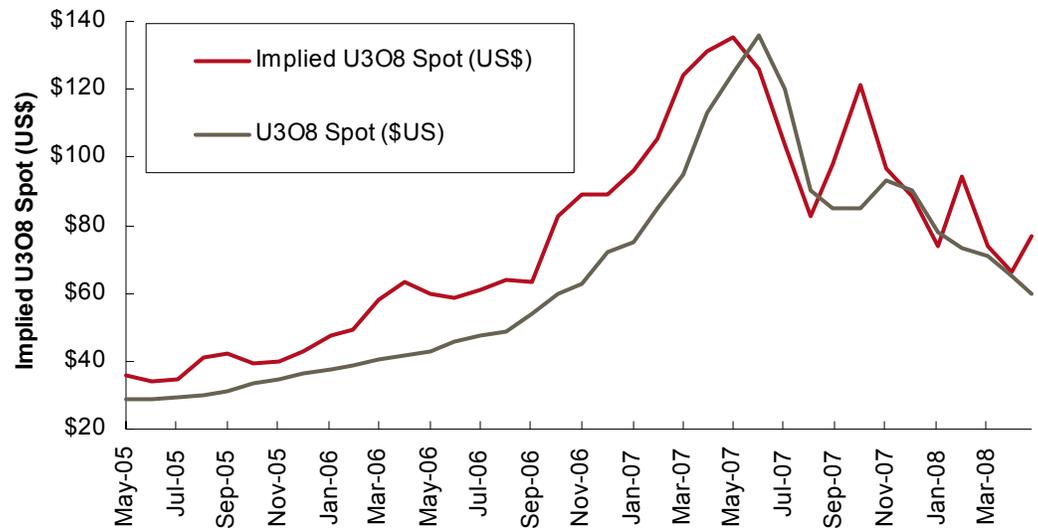
As of April 30, 2008, Uranium Participation Co. has taken delivery of 5.375 MM pounds of U<sub>3</sub>O<sub>8</sub> at an average cost of C\$48.42/lb and 1.417 MM kg UF<sub>6</sub> at an average cost of C\$181.18/lb. We value U on a pre-tax basis accounting for all outstanding cash but excluding the out of the money warrants at \$12.00. We expect that Uranium Participation Corp. will continue to accumulate both U<sub>3</sub>O<sub>8</sub> and UF<sub>6</sub> when the potential purchases are accretive to NAV. Uranium Participation Co. has historically been a good leading indicator for the uranium price and with the strengthening of the uranium market Uranium Participation Co. will offer strong leverage to the appreciating commodity without exposure to technical or geopolitical risk.

**A Market Indicator**

Uranium Participation Co. has been an excellent indicator of the trend of the uranium spot price, predicting the general trend of the market with a lead time of approximately one to two months. The top of the market was also predicted by approximately one month, with Uranium Participation indicating a peak in May 2007 with the actual peak occurring in June 2007. Though there have been two events indicated by Uranium Participation that could be considered false rallies, the uranium price did in fact tick up at both points but the rally was not sustained nor as large as predicted. Though the market, and Uranium Participation, have repeatedly called for the bottom of the uranium market, it is our belief that the market is truly bottoming at this point, a sentiment that is shared in the direction of the uranium price implied by Uranium Participation.

Based on the trends we have seen, we expect that Uranium Participation will trade at a premium to NAV in an appreciating uranium price environment and a discount to NAV in a declining uranium price environment.

**Figure 3 Implied Uranium Price vs. Actual Uranium Price**



Source: Company reports and Cormark Estimates

**Exposure With Minimal Risk**

Uranium Participation listed on the TSX in May 2005 and with the proceeds of the IPO purchased 2.55 MMlbs of U<sub>3</sub>O<sub>8</sub> at cost of \$28.78/lb. Since then the Company has purchased additional material bringing the Company’s ownership to 5.375 MMlbs of U<sub>3</sub>O<sub>8</sub> and 1.492 MM kgs of UF<sub>6</sub> (See Figure 4). This profile of assets provides exposure to the uranium market without exposure to operating, permitting, exploration, and geopolitical risk. We have seen companies experience significant challenges putting operations into production as they face delays in permitting, capital cost inflation and difficulty meeting market expectations with respect to production ramps. While some jurisdictions have become more and more challenging to operate in, the lower risk profile of Uranium Participation provides a more direct way to achieve leverage to the commodity without the risks related to a mining operation.

Figure 4

## Equity Financing and Purchases of Uranium

Period	Volume Purchased (000s)		Cumulative Purchases		Equity Raised \$M
	U <sub>3</sub> O <sub>8</sub> lbs	UF <sub>6</sub> kgU	U <sub>3</sub> O <sub>8</sub> lbs	UF <sub>6</sub> kgU	
May 2005	2,150		2,150		100,000
June 2005	200		2,350		
July 2005	200		2,550		
Nov 2005	1,400		3,950		64,500
Mar 2006	50	100	4,000	100	
Apr 2006		200	4,000	300	
May 2006			4,000	300	51,750
Jun 2006	200		4,200	300	
Aug 2006		650	4,200	950	
Sept 2006			4,200	950	100,000
Mar 2007		250	4,200	1,200	
Apr 2007					95,000
June 2007	200		4,400	1,200	
June 2007	75		4,475	1,200	
Sept 2007	75		4,550	1,200	
Oct 2007					65,000
Nov 2007		217	4,475	1,417	
Feb 2008	900		5,375	1,417	74,779
Mar 2008	0.	75.	5,375	1,492	
<b>Total</b>	<b>5,450</b>	<b>1,492</b>	<b>5,375</b>	<b>1,492</b>	

Source: Company reports and Cormark Securities estimates

## Valuation

The current uranium term price is \$59.00, and we have forecasted an average uranium price for 2008 of \$65/lb and for 2009 of \$75/lb. At a \$75 uranium price and a \$206.00 UF6 price on a fully diluted basis, Net Asset Value of Uranium Participation is calculated at C\$9.87/sh. UPC's share price has proven an effective barometer for both market sentiment and spot price movement. To determine a target price for the Company we assume that within a stable commodity environment UPC will trade at 1 x Net Asset Value. As such, based upon our 12-month assumption of \$75/lb uranium, we derive a target price of C\$9.90/share FD and maintain our Buy recommendation. Our previous target of \$15.65/share was based on our previous valuation matrix when we assumed that, due to the lack of investment vehicles in the uranium space, the Company could trade up to a 1.5x multiple to NAV. In this report we have taken a conservative approach to valuation. Though we base our target on a 1x NAV multiple we anticipate that UPC will take advantage of continued market opportunities and acquire more material when accretive to NAV. We will adjust our target accordingly.

# Notes Page

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**Analyst Certification**

We, Justin Reid, Mike Kozak, Krystal Nagel, and Chris Sharpe 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.

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**Recommendation Terminology**

Cormark's recommendation terminology is as follows:

<b>Top Pick</b>	our best investment ideas, the greatest potential value appreciation
<b>Buy</b>	expected to outperform its peer group
<b>Market Perform</b>	expected to perform with its peer group
<b>Reduce</b>	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.

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**Disclosure**

For a complete disclosure of potential conflicts of interest please refer to our website at [www.Cormark.ca](http://www.Cormark.ca) or call 1-800-461-2275 and ask to speak to the research coordinator.

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