

Mining

May 18, 2011

Industry Comment

Bart Jaworski P.Geo. | 604.659.8282 | bart.jaworski@raymondjames.ca

David Sadowski (Associate) | 604.659.8255 | david.sadowski@raymondjames.ca

Uranium & Junior Exploration | Uranium

Uranium Weekly Tracker: Spot Keeps Rising amid Weakening Equities

Spot Prices Continue Upwards

- ◆ Tuesday's UxC BAP price was up US\$0.50/lb (to US\$58.19/lb U3O8), the 11th consecutive neutral or up day.
- ◆ Monday's UxC spot price increased US\$1.25/lb (to US\$57.75/lb) and term price was unchanged at US\$70.00/lb.
- ◆ Friday's TradeTech spot price increased US\$0.75/lb (to US\$57.00/lb), while term price remained at US\$68.00/lb.

Market Summary

- ◆ TradeTech reports a total of 0.8 Mlbs U3O8e transacted last week, bringing volume to date in May to ~1.7 Mlbs (vs. ~2 Mlbs in all of Apr-2011). There were no transactions in the long-term market.

Bullish Updates

- ◆ **Upward Price Pressure.** TradeTech reports recent price strength is based on rumours that US DOE material may be sold via a long term deal (avoiding spot dumping); although DOE has refuted the deal (supposedly with France's EdF), speculation lingers.
- ◆ **Cameco Unfazed.** On its 1Q11 call (May-6-11), Cameco (CCO-TSX) stated post-Fukushima supply-demand fundamentals remain bullish, with global cumulative demand over the next 10 years down only 4% from prior estimates (in-line with our -4.4%). However, CCO sees global consumption at 230 Mlbs/yr by 2020E (15% below our 269 Mlbs/yr; and 9.5% below UxC 4Q10 base case of 254 Mlbs/yr), potentially reflecting a dimmer view on China (60-70 GWe by 2020E vs. our 80 GWe). That said, CCO still sees LT prices in the US\$60-80/lb range (vs. our US\$70/lb), based on levels required to stimulate new supply.
- ◆ **Kazakhstan to Plateau Post-2011E.** On its 1Q11 call (May-11-11), UUU stated world demand is projected to be 5% lower over the next decade and that supply growth could be stifled due to more difficult financing conditions. Most importantly, UUU expects Kazakh production to "begin to plateau as many mines in the northern basin achieve steady state production levels and new operations in the southern basin continue to ramp, but at a more measured pace." These sentiments corroborate our view (see our Uranium Equities INSight dated Oct-25-10). UUU said Kazakh 1Q11 production was 11 Mlbs (4,300 tU) and the stated goal for 2011E is 19,600 tU (+10% y/y). The 2012E goal is ~20,000 tU (only +2% y/y).
- ◆ **Namibia Fears Subside, but Cloud Lingers.** Last week (May-10-11), the Namibian mines minister finally held a press conference (deferred from Apr-28-11) to clarify the government's proposed legislation. It appears only new projects would be affected and would require participation of state-owned company Epangelo Mining Company. However, pre-existing licenses may need to be jointly developed if progress has not taken place for "a very long time" (leaving companies at risk if metal prices slump, in our view). Yesterday, Reuters reported that Namibia is now also considering a windfall tax.

Bearish Updates

- ◆ **Japan to Review 50% Nuclear Goal.** Not surprisingly, PM Naoto Kan stated on May-10-11 that Japan would review its energy policy "from scratch," including its previous goal of being 50% nuclear by 2030E (from ~29% in '09A). Kan, however, is still expected to confirm nuclear as a key pillar in its energy mix at the G8 Summit (May 26-27).
- ◆ **Hamaoka Shutdown.** On May-6-11, Japan's PM ordered Hamaoka plant (190 km SW of Tokyo) to shutdown its reactors, citing seismologists' forecast of an 87% likelihood of a major earthquake hitting the area in the next 30 years. By our estimates, Hamaoka's three units (3.5 GW) represent ~0.9% of current global reactor demand.
- ◆ **Fukushima Update.** TEPCO is still aiming to stabilize damaged units by year-end, with the start of steady declines in radiation by mid-July. However, after confirming (on May-16-11) that fuel in Unit 1 had indeed melted hours after the accident, TEPCO had to change its original roadmap (albeit, timelines unchanged). This story will continue to linger, in our view.

RJL Outlook. We remain neutral on spot uranium prices in the near-term; however, given the continued ramp in Asian new build and a supportive supply outlook, we remain constructive on prices in the medium to long-term. Among the equities, we highlight HAT, CCO, PDN, UUU, and U.

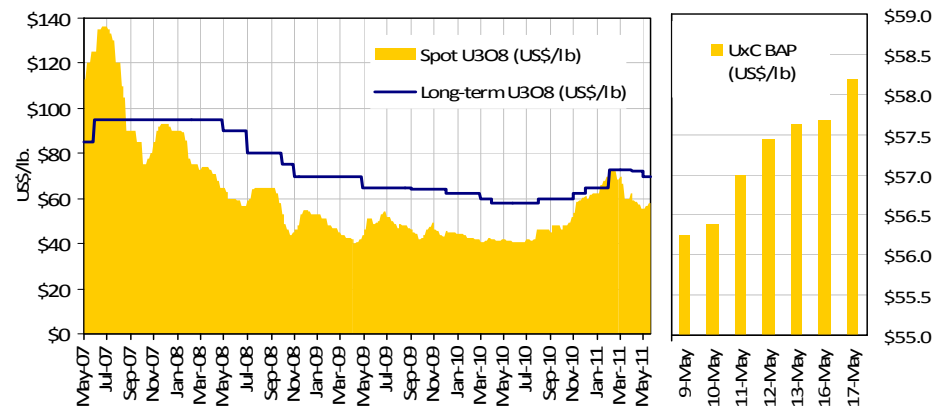
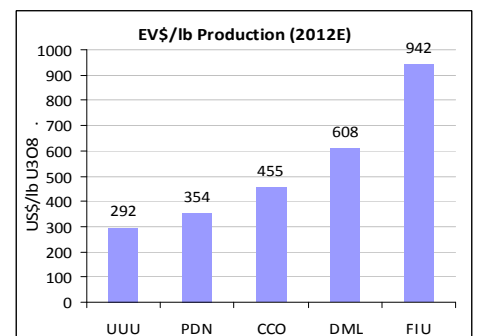
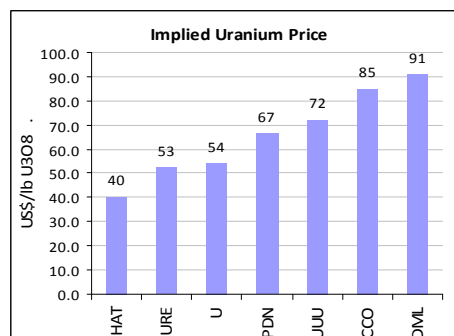
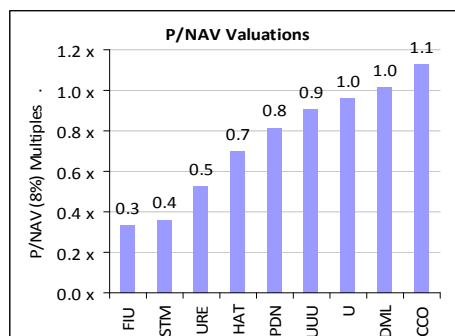
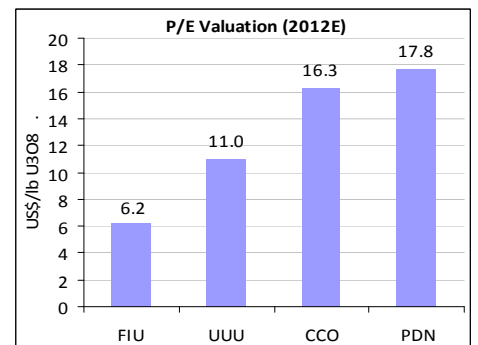
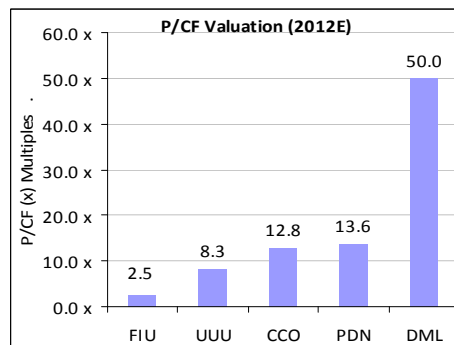
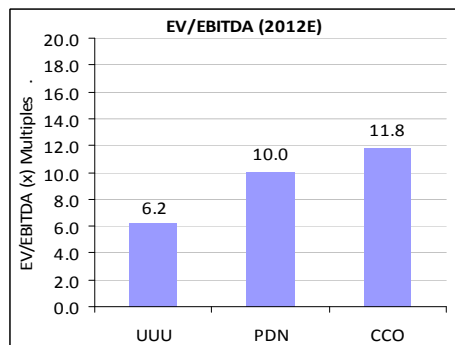
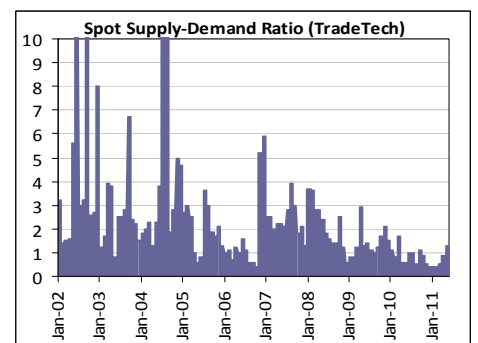
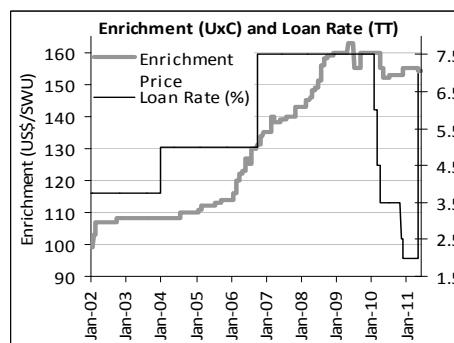
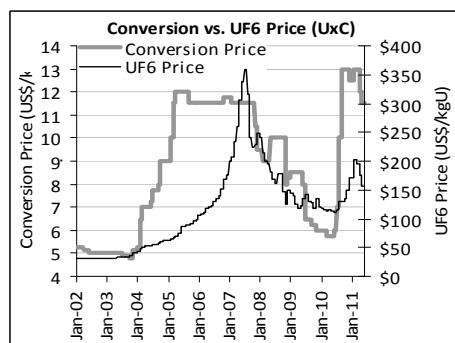
Company	Ticker Primary	Ticker Secondary	Current Price	Rating	Target Price (6-12 mths)	Total Return To Target
Cameco Corp.	CCO -T	CCJ-NYSE	\$26.67	2	\$33.50	26%
Denison Mines Corp.	DML -T	DNN-AMEX	\$2.03	3	\$2.50	23%
Paladin Energy, Ltd.	PDN -T	PDN-ASX	\$3.28	2	\$4.60	40%
Uranium One Inc.	UUU -T	UUU-JSE	\$3.69	2	\$5.30	44%
First Uranium Corporation	FIU -T	FUM-JSE	\$0.77	3	\$1.00	30%
Hathor Exploration Ltd.	HAT -T		\$2.44	2	\$3.90	60%
Strathmore Minerals Corp.	STM -T		\$0.63	3	\$0.90	43%
UR-Energy Inc.	URE -T	URG-AMEX	\$1.45	2	\$2.30	59%
Uranium Participation Corp.	U -T		\$6.79	2	\$8.70	28%

Exhibit 1: Uranium Market Snapshot and Primary Metrics of Our Uranium Equity Universe.**Uranium Equity Comparables - Primary Metrics**

18-May-11

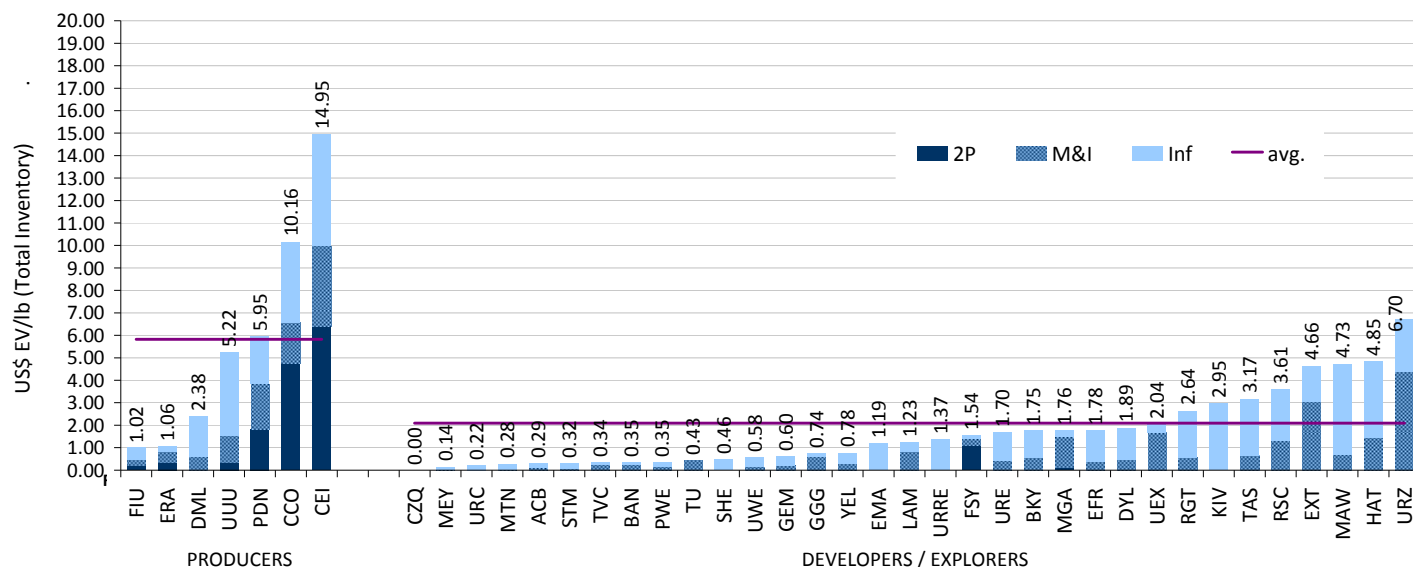
Price Tracker

	This Week	Last Week	% Change
U3O8 (US\$/lb)			
Spot (UxC)	57.75	56.50	2.2%
Spot (TradeTech)	57.00	56.25	1.3%
LT Cont. (UxC)	70.00	70.00	0.0%
LT Cont. (TradeTech)	68.00	68.00	0.0%
Spot S/D (Mlbs U3O8e)			
Supply (TradeTech)	2.6	2.6	0.0%
Demand (TradeTech)	2.2	2.4	-8.3%
S/D	1.18	1.08	9.1%
UF6 Spot (US\$/kgU) Monthly Data			
NAm. (UxC)	157.00	157.00	0.0%
NAm. (TradeTech)	155.75	155.75	0.0%
SWU (US\$/SWU) Monthly Data			
Spot (UxC)	154.00	154.00	0.0%
Conversion (US\$/kgU) Monthly Data			
NA Spot (UxC)	11.50	11.50	0.0%

Uranium Daily BAP, Spot and Term Pricing (UxC)**Valuation Metrics****Other Metrics****Conversion, Enrichment Prices**

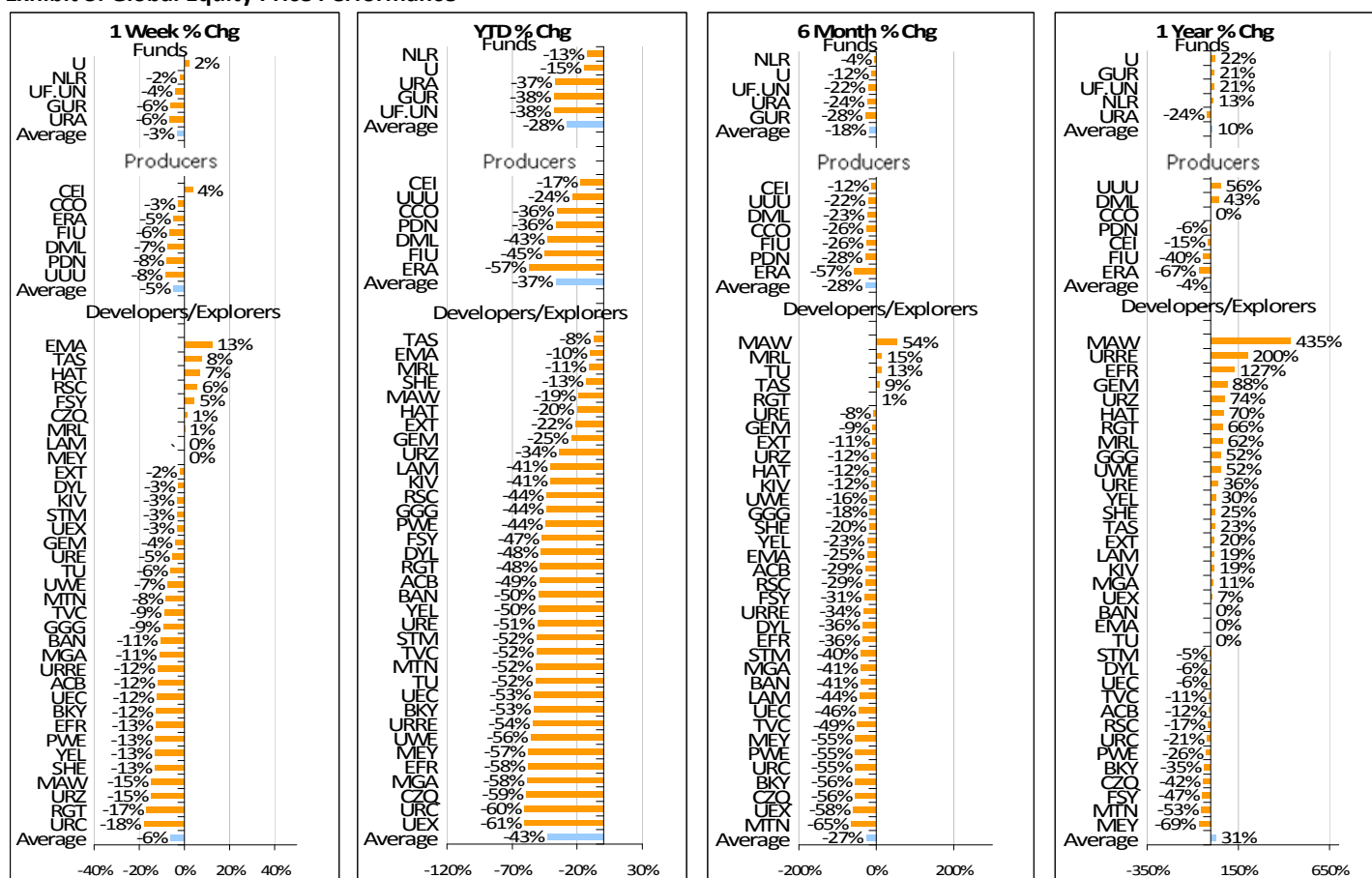
Source: Raymond James Ltd.; Thompson, Capital IQ, UxC, TradeTech

Exhibit 2. Relative Global Equity Valuations - US\$EV/Global Resources



Source: Capital IQ, Company Documents

Exhibit 3. Global Equity Price Performance



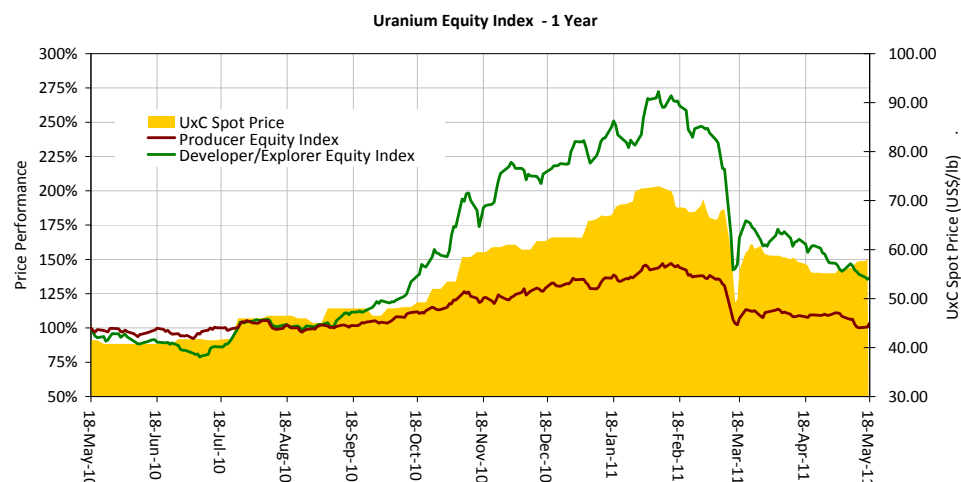
Source: Capital IQ

Exhibit 4. Global Equity Comparison

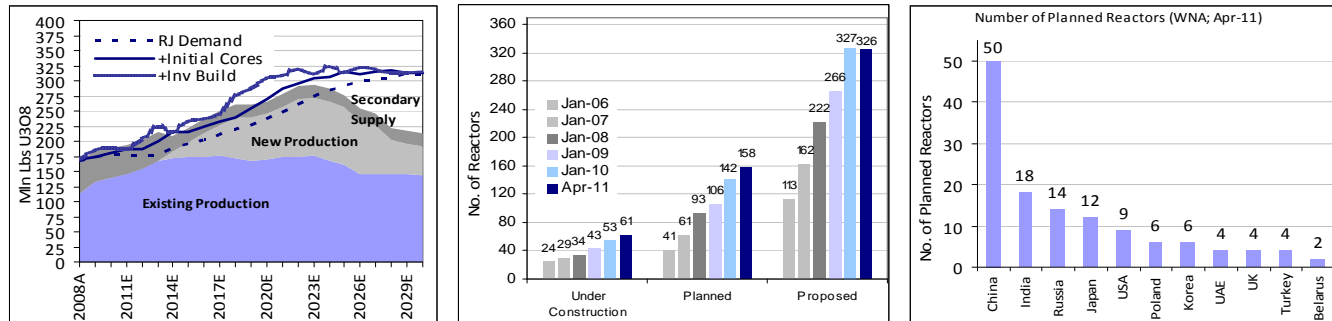
Spot Uranium (US\$/lb):		\$57.75									Corporate Resources				EV/Res		
Spot Exchange (C\$/US\$):		\$0.98		Share	Basic S/O	MC	Debt	Cash	Net Cash	EV	2P	MH	All	Grade	EV/2P	EV/MH	EV/All
		Exch.	Price (C\$)	(mln)	(C\$mln)	(C\$mln)	(C\$mln)	(C\$mln)	(C\$mln)	(US\$mln)	(Mlbs)	(Mlbs)	(Mlbs)	(%U308)	(US\$/lb)	(US\$/lb)	(US\$/lb)
PRODUCERS																	
Areva SA	CEI	ENXTPA	\$40.42	381.3	15,411	8,694	4,479	-4,216	20,077		590.9	921.8	1,383.2	0.13%	33.98	21.78	14.51
Cameco Corp.	CCO	TSX	\$25.95	394.7	10,242	937	1,383	447	10,020		476.2	657.5	1,018.1	0.10%	21.04	15.24	9.84
Denison Mines Corp.	DML	TSX	\$1.94	384.5	746	1	103	102	659		0.4	72.6	292.9	0.08%	1736.54	9.08	2.25
Energy Resources of Australia	ERA	ASX	\$4.93	190.7	940	0	191	191	766		253.6	563.0	730.9	0.18%	3.02	1.36	1.05
First Uranium Corporation	FIU	TSX	\$0.74	232.9	172	156	80	-77	255		49.2	110.7	256.3	0.02%	5.17	2.30	0.99
Paladin Energy, Ltd.	PDN	TSX	\$3.19	777.7	2,481	687	252	-435	2,983		159.2	332.3	516.7	0.07%	18.73	8.98	5.77
Uranium One Inc.	UUU	TSX	\$3.62	945.1	3,421	274	285	11	3,488		47.8	199.0	683.5	0.08%	72.98	17.53	5.10
Weighted Average															61.47	17.92	11.18
Straight Average															270.21	10.90	5.65
DEVELOPERS/EXPLORERS																	
A-Cap Resources Ltd.	ACB	ASX	\$0.30	199.0	59	0	15	15	45		-	50.2	157.8	0.02%	-	0.90	0.29
Bannerman Resources Limited	BAN	TSX	\$0.34	234.4	80	0	19	19	62		-	119.0	170.1	0.02%	-	0.52	0.37
Berkeley Resources Ltd.	BKY	ASX	\$0.85	158.9	135	0	7	7	130		-	23.0	73.2	0.04%	-	5.68	1.78
Continental Precious Minerals,	CZQ	TSX	\$0.35	51.7	18	0	19	19	-1		-	1,051.0	1,068.2	0.02%	-	0.00	0.00
Deep Yellow Ltd.	DYL	ASX	\$0.18	1,126.5	203	0	17	17	190		-	24.9	97.9	0.03%	-	7.63	1.94
Energy and Minerals Australia	EMA	ASX	\$0.19	387.9	72	0	4	4	70		-	-	58.7	0.05%	-	-	1.19
Energy Fuels Inc.	EFR	TSX	\$0.38	98.3	37	0	3	3	35		-	4.4	21.2	0.20%	-	7.92	1.65
Extract Resources Ltd.	EXT	TSX	\$7.46	243.3	1,815	0	36	36	1,820		-	257.3	392.3	0.04%	-	7.07	4.64
Forsys Metals Corp.	FSY	TSX	\$1.61	79.9	129	0	10	10	122		60.5	75.5	83.9	0.01%	2.01	1.61	1.45
Greenland Minerals and Energy	GGG	ASX	\$0.71	310.9	221	0	12	12	214		-	225.3	280.1	0.03%	-	0.95	0.76
Hathor Exploration Ltd.	HAT	TSX	\$2.46	120.9	297	0	22	22	282		-	17.2	57.9	4.73%	-	16.40	4.87
Kivalliq Energy Corp.	KIV	TSXV	\$0.48	100.7	48	0	8	8	41		-	-	14.2	0.79%	-	-	2.87
Laramide Resources Ltd.	LAM	TSX	\$1.17	67.5	79	0	2	2	78		-	43.3	65.0	0.10%	-	1.81	1.21
Mkusani Yellowcake, Inc.	YEL	TSXV	\$0.30	78.2	23	0	3	3	21		-	10.4	27.3	0.02%	-	2.03	0.77
Mantra Resources Limited	MRL	TSX	\$7.04	133.3	939	0	59	59	900		-	65.5	101.4	0.04%	-	13.74	8.87
Marathon Resources Limited	MTN	ASX	\$0.25	78.2	19	0	1	1	19		-	6.0	66.1	0.07%	-	3.21	0.29
Marenica Energy Ltd	MEY	ASX	\$0.04	498.6	18	0	5	5	14		-	9.8	110.6	0.01%	-	1.40	0.12
Mawson Resources Ltd.	MAW	TSX	\$1.82	50.7	92	0	0	0	94		-	3.3	22.0	0.05%	-	28.79	4.28
Mega Uranium Ltd.	MGA	TSX	\$0.46	251.1	114	0	3	3	114		3.7	54.7	65.7	0.03%	30.72	2.08	1.73
Pele Mountain Resources Inc.	GEM	TSXV	\$0.25	130.3	32	0	4	4	28		-	15.2	46.6	0.04%	-	1.85	0.60
Powertech Uranium Corp.	PWE	TSX	\$0.17	55.4	9	1	2	1	9		-	10.4	24.3	0.10%	-	0.82	0.35
Rockgate Capital Corp.	RGT	TSX	\$1.21	98.6	119	0	53	53	68		-	6.1	27.8	0.11%	-	11.19	2.45
Stratco Resources Inc.	RSC	TSX	\$0.55	139.8	77	6	10	4	74		-	7.5	20.2	0.58%	-	9.94	3.66
Strathmore Minerals Corp.	STM	TSX	\$0.62	88.9	55	0	24	24	32		-	22.9	104.2	0.07%	-	1.39	0.31
Stonehenge Metals Limited	SHE	ASX	\$0.11	331.4	36	0	5	5	32		-	-	65.0	0.03%	-	-	0.49
Terra Ventures, Inc.	TAS	TSXV	\$0.48	54.5	26	0	0	0	27		-	1.7	8.3	0.09%	-	15.49	3.22
Tigris Uranium Corp.	TU	TSXV	\$0.30	45.6	14	0	0	0	13		-	34.5	34.5	0.09%	-	0.39	0.39
Tournigan Energy Ltd.	TVC	TSXV	\$0.16	193.7	30	0	16	16	14		-	28.5	41.2	0.34%	-	0.49	0.34
U308 Corp.	UWE	TSXV	\$0.46	77.9	35	0	5	5	31		-	12.1	54.2	0.03%	-	2.57	0.57
UEX Corp.	UEX	TSX	\$0.88	202.9	179	0	17	17	165		-	67.8	82.5	0.40%	-	2.44	2.00
Uracan Resources, Ltd.	URC	TSXV	\$0.12	132.8	15	0	6	6	9		-	-	44.0	0.01%	-	-	0.21
Uranerz Energy Corp.	URZ	TSX	\$2.61	70.8	185	0	36	36	152		-	15.9	24.4	0.06%	-	9.54	6.23
Uranium Energy Corp.	UEC	AMEX	\$2.76	70.5	194	0	34	34	164		-	6.5	24.0	0.03%	-	25.13	6.84
Uranium Resources, Inc.	URR	NYSE	\$1.53	93.4	142	0	11	10	135		-	-	102.2	0.14%	-	-	1.32
UR-Energy Inc.	URE	TSX	\$1.46	103.4	151	0	34	34	120		-	18.1	70.1	0.05%	-	6.62	1.70
Weighted Average															15.88	8.98	4.38
Straight Average															16.37	6.51	2.04

Source: Raymond James Ltd., Capital IQ, UxC

Exhibit 5. RJ Uranium Indices Price Performance vs. Spot Price – 1 Year



Source: Raymond James Ltd., Capital IQ, UxC; Note: UxC BAP data after Jan-01-11

Exhibit 6. RJ Uranium Supply-Demand and WNA Reactor Tally**RJ Supply Demand Outlook and WNA Reactor Counts**

Source: Raymond James. Ltd., UxC, World Nuclear Association

Exhibit 7. Summary Comparison Tables for Our Uranium Equities Under Coverage.

Market Statistics (in CAD\$)				Bart Jaworski, P. Geo., 604.659.8282										bart.jaworski@raymondjames.ca																	
Spot Uranium Price (US\$/lb)	57.75			RJ	Cnsus	RJ	RJ	Cnsus	Basic																						
Spot CAD/USD	0.978	Share	Stock	Stock	6-12 Mo	Target	6-12 Mo	Shares	Mkt	Total				WCap	Funded	P/															
17-May-11		Price	Rating	Rating	Target	Return	Target	O/S	Cap	Debt	Cash	EV		per sh	NAVPS	NAV															
		Ticker	(C\$)		(C\$)	(%)	(C\$)	(mln)	(\$mln)	(\$mln)	(\$mln)	(\$mln)		(\$)	(C\$)	(x)															
Cameco Corp.	CCO	\$25.95	2	2	\$33.50	29%	\$39.00	394.7	10,242	1,193	1,383	10,052	5.00	\$23.02	1.13 x																
Denison Mines Corp.	DML	\$1.94	3	3	\$2.50	29%	\$2.58	384.5	746	0	100.9	645	0.36	\$1.91	1.02 x																
Paladin Energy, Ltd.	PDN	\$3.19	2	2	\$4.60	44%	\$5.13	777.7	2,481	672	246	2,906	0.43	\$3.92	0.81 x																
Uranium One Inc.	UUU	\$3.62	2	2	\$5.30	46%	\$5.58	957.2	3,465	377	317	3,525	0.36	\$4.00	0.91 x																
Weighted Average						35%										1.02 x															
URANIUM DEVELOPERS and EXPLORERS																															
First Uranium Corporation	FIU	\$0.74	3	3	\$1.00	35%	\$1.25	232.9	172	342	78	436	0.16	\$2.24	0.33 x																
Hathor Exploration Ltd.	HAT	\$2.46	2	1	\$3.90	59%	\$4.50	120.9	297	0	22	276	0.18	\$3.51	0.70 x																
Strathmore Minerals Corp.	STM	\$0.62	3	3	\$0.90	45%	\$0.90	88.9	55	0	24	31	0.27	\$1.74	0.36 x																
UR-Energy Inc.	URE	\$1.46	2	2	\$2.30	58%	\$3.25	103.4	151	0	34	117	0.32	\$2.75	0.53 x																
Weighted Average						46%										0.48 x															
URANIUM FUNDS																															
Uranium Participation	U	\$6.76	2	2	\$8.70	29%	\$9.33	107.6	727	0	18	709	0.16	\$7.04	0.96 x																
Earnings Statistics (in Rep. Currency)																															
Spot U	US\$57.75																														
C\$/US\$	0.978																														
17-May-11		Rep.		RJ	Consensus				P/E (RJ)				RJ				Consensus														
				EPS (\$)	EPS (\$)				Multiple (x)				CFPS (\$)				CFPS (\$)														
		Tck	Curr.	'10E	'11E	'12E	'13E	'11E	'12E	13E	'10E	'11E	'12E	'13E	'10E	'11E	'12E	'13E	'11E	'12E	13E	'10E									
URANIUM PRODUCERS																															
Cameco Corp.	CCO	CDN	1.31	1.00	1.60	2.39	1.33	1.64	1.87	20 x	26 x	16 x	11 x	1.29	1.88	2.03	2.83	1.89	2.25	2.51	20 x										
Denison	DML	USD	-0.04	-0.05	-0.02	-0.03	-0.03	-0.03	-0.01	nm	nm	nm	nm	0.10	-0.03	0.01	-0.01	0.05	0.06	0.09	19 x										
Paladin	PDN	USD	-0.08	-0.03	0.18	0.31	0.02	0.16	0.22	nm	nm	18 x	10 x	-0.06	-0.06	0.23	0.37	0.04	0.21	0.29	-50 x										
Uranium One	UUU	USD	-0.03	0.16	0.33	0.44	0.20	0.29	0.35	nm	23 x	11 x	8 x	0.08	0.23	0.43	0.56	0.30	0.43	0.52	48 x										
Weighted Average												nm				25 x				15 x				10 x				14 x			
URANIUM DEVELOPERS and EXPLORERS																															
First Uranium	FIU	USD	-0.56	-0.35	0.12	0.18	-0.24	0.08	0.24	nm	nm	6 x	4 x	-0.21	-0.19	0.30	0.37	-0.21	0.34	0.48	-3 x										
Hathor	HAT	CDN	-0.09	-0.03	-0.03	-0.03	-0.03	-0.02	0.00	nm	nm	nm	nm	-0.03	-0.01	-0.02	-0.02	-0.02	-0.01	0.00	-50 x										
Strathmore	STM	CDN	0.03	-0.03	-0.03	-0.02	-0.03	-0.03	nm	22 x	nm	nm	nm	-0.04	-0.04	-0.03	-0.02	-0.04	-0.03	nm	-16 x										
UR-Energy	URE	CDN	-0.17	-0.11	-0.07	0.01	-0.11	0.05	0.31	nm	nm	nm	148 x	-0.14	-0.09	-0.06	0.05	-0.10	0.14	0.47	-11 x										
Weighted Average												nm				nm				nm				34 x				-20 x			

Source: Company reports, Bloomberg, Thomson Financial, Raymond James Ltd.

R = Research restricted

Enterprise Value (EV) = market capitalization + net debt

Net Asset Values based on 8% discount rate (5% for gold/silver equities) and fully diluted shares (adjusted for future equity requirements), in CDN dollars

Net Debt = (long term debt + short term debt) - (cash and cash equivalents)

NAV multiples weighted by EV

NR = Not Rated; UR = Under Review; 1: STRONG BUY; 2: OUTPERFORM; 3: MARKET PERFORM; 4: UNDERPERFORM

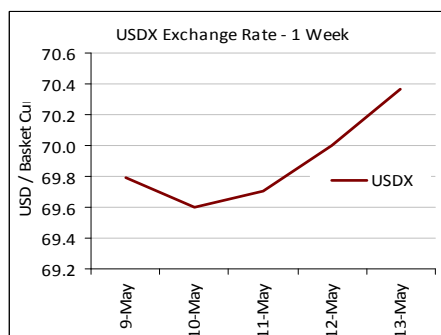
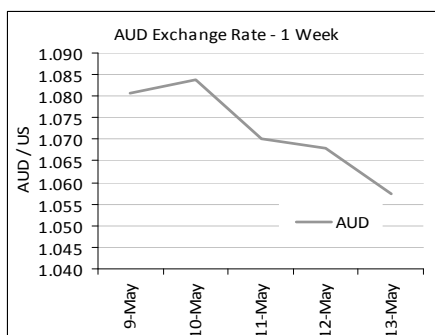
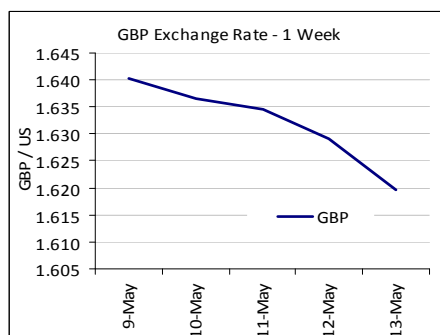
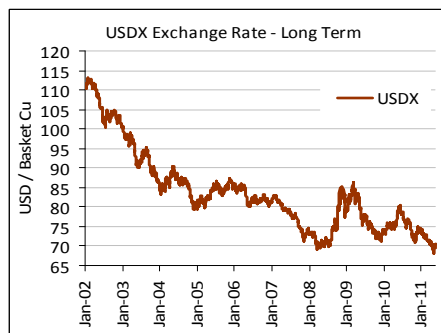
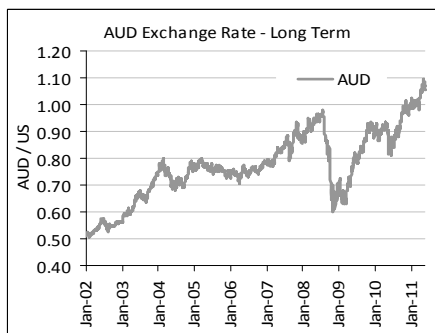
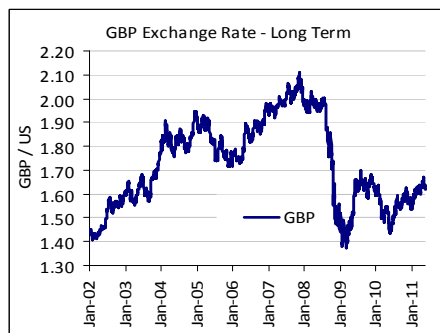
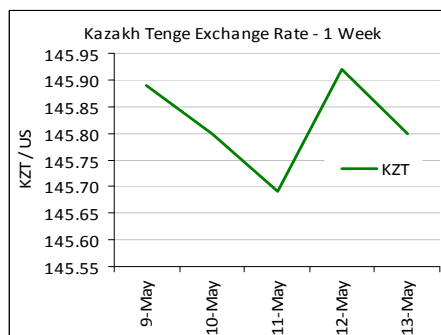
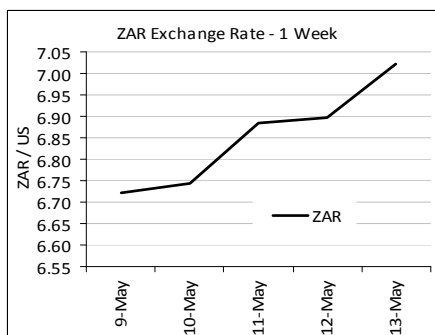
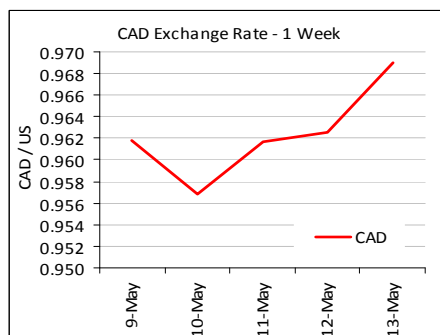
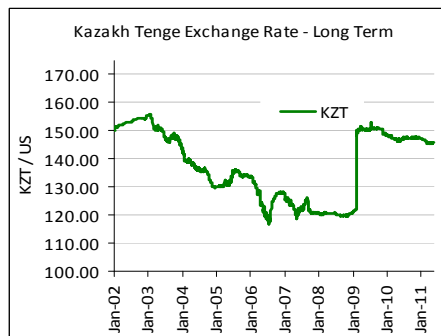
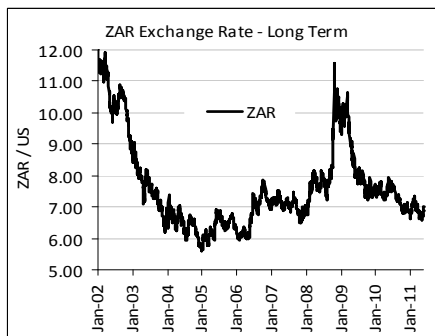
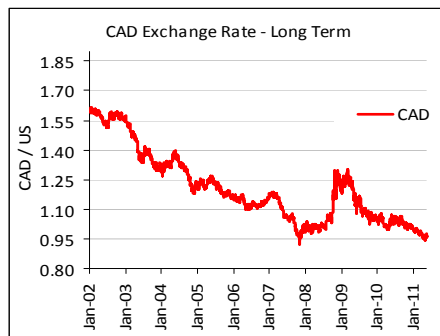
Uranium Price Forecast '09A=US\$46.76/lb, '10E=US\$46.37/lb, '11E=US\$58.36/lb, '12E=US\$72.50/lb, '13E=US\$80.00/lb, '14E=US\$75.00/lb, LT=US\$70.00/lb

C\$/US\$ Price Forecast '09A=0.88, '10E=0.97, '11E=1.02, '12E=1.02, '13E=1.02, '14E=1.02, Long Term=1.02

US\$/Rand Price Forecast '09A=8.43, '10E=7.32, '11E=7.13, '12E=7.50, '13E=7.50, '14E=7.75, Long Term=7.75

Exhibit 8. Summary Performance of Pertinent Currencies**Currencies**

16-May-11



Source: Raymond James Ltd., Bloomberg

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