

Media Release

30 June 2010

Resource Capital Research – June Quarter 2010

Equity research report

Global uranium companies

Key Points

Uranium Market:

- The uranium spot price is currently trading at US\$40.75/lb, down 1% from 3 months ago (US\$41.25/lb).
- The Fund Implied Price (FIP) is US\$40.50/lb, which compares with US\$46.00/lb Jan '10.
- Since April 1, 2010 the FIP has traded in a range of ~US\$35/lb to ~US\$46/lb, with the low of US\$35/lb coinciding with equity market weakness in April.
- The long term contract uranium price is US\$58.00/lb. It is down from US\$61/lb Jan '10.
- There are 496 new nuclear reactors planned or proposed globally as of June '10.
- Kazakhstan ISR production reached 36mlbs U₃O₈ in 2009 up 62% from 2008 levels (22mlbs) and is forecast to reach 47mlbs in 2010.
- With low cost production forecast to rise to 78mlbspa U₃O₈ by 2018, Kazakhstan's mine supply growth is expected to exert further downward pressure on the global sector near/mid-term cash cost curve.

Uranium Companies:

- The Merrill Lynch Uranium Equity Index (a basket of uranium equities) is up 6% over the past month, down 15% over 3 months and down 16% over the past 12 months.
- The market valuation of Australian companies with one or more uranium projects is down 4% over the past month, down 16% over the past 3 months, and up 48% over the past 12 months.
- This compares with Canadian companies with one or more uranium projects, down 2% over the past month, down 15% over the past 3 months, and up 29% over the past 12 months.

Resource Capital Research ("RCR"), an equity research company which focuses on small and mid size resource companies, today launched its major quarterly research report covering 17 global uranium exploration and development companies.

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

To access the free summary report or to purchase the complete 94 page comprehensive report, go to www.rcresearch.com.au/reports. RCR also publishes gold, iron ore, and tin-tungsten sector reports.

Equity market performance

The market valuation of Australian companies with one or more uranium projects is down 4% over the past month, down 16% over the past 3 months, and up 48% over the past 12 months. This

compares with Canadian companies with one or more uranium projects, down 2% over the past month, down 15% over the past 3 months, and up 29% over the past 12 months.

In the past 1 month, the uranium mining majors have had mixed share price performance: Cameco (CCO) is down 6% (3 month performance -13%), Denison Mines (DML) is down 1% (3 month performance -13%), Uranium One (UUU) is up 24% (3 month performance unchanged), Energy Resources of Australia (ERA) up 7% (3 month performance -27%) and Paladin (PDN) unchanged (3 month performance -1%). The UUU one month price increase (+24%) is attributable to the announced ARMZ transaction; and ERA's 3 month price decline (-27%) is attributable to a number of factors including the impact of the announced resource tax in Australia.

The Merrill Lynch Uranium Equity Index (a basket of uranium equities) is up 6% over the past month, down 15% over 3 months and down 16% over the past 12 months.

Uranium price outlook

The uranium spot price is currently trading at US\$40.75/lb, down 1% from 3 months ago (US\$41.25/lb) and compares with US\$44.50/lb at the start of the year. The Fund Implied Price (FIP) is US\$40.50/lb, which compares with US\$46.00/lb Jan '10. The FIP has generally been a good leading indicator of near term spot price performance.

RCR's outlook for the uranium price over the next few months is for it to continue to trade around the low US\$40/lb mark. With the FIP currently trading at US\$40.50/lb the spot price outlook is relatively flat. Since April 1, 2010 the FIP has traded in a range of ~US\$35/lb to ~US\$46/lb, with the low of US\$35/lb coinciding with equity market weakness in April. The gradual downward drift in spot and contract prices over the past 12 months reflects in part the tremendous growth in new mine supply from Kazakhstan's ISR projects. Utility purchases remain discretionary though timing of demand from long term Chinese inventory build remains a factor with potential to influence short term market trends.

The long term contract uranium price is US\$58.00/lb. It is down from US\$61/lb Jan '10, though has been relatively stable, compared with the more thinly traded spot market price, since peaking at US\$95/lb from May '07 to March '08.

Kazakhstan ISR production reached 36mlbs U3O8 in 2009 up 62% from 2008 levels (22mlbs) and is forecast to reach 47mlbs in 2010. With low cost production forecast to rise to 78mlbspa U3O8 by 2018, Kazakhstan's mine supply growth is expected to exert further downward pressure on the global sector cash cost curve.

World planned and proposed nuclear power reactors

Currently there are 439 nuclear power reactors in operation and 57 under construction. There are 496 new nuclear reactors planned or proposed globally as of June '10, up from 435 Dec '09 (+14%). A total of 67 new reactors are scheduled to be commissioned by 2016.

Since Dec '09 the largest increases in planned and proposed new nuclear reactors are in India, taking its total from 38 to 60 (+22, up 58%); and China taking its total from 125 to 154 (+29, up 23%).

Events of the past 3 months include:

- **First Uranium (TSX:FIU) – Environmental Approval reinstated** for tailings facility at the **MWS project in South Africa** after earlier cancellation by the government (in Jan '10); and subsequently FIU finalized a C\$150m recapitalization (Apr '10). MWS is currently ramping up gold production and aims to produce uranium from Aug '11. **Ezulwini Mine in South Africa reported its first shipment of uranium** in the March quarter (22,500lbs U₃O₈).

- **Uranium One (TSX:UUU)** reported average total cash cost at its Kazakhstan operations of US\$16/lb during 2009, compared with US\$14/lb in 2008. Total cash costs of US\$17/lb were reported 1Q10.
- Russian state-controlled miner **ARMZ (AtomRedMetzoloto) deal with Uranium One (TSX:UUU)** will see ARMZ's parent Rosatom move to at least a 51% effective holding in UUU (announced 8 June '10). ARMZ will contribute interests in 2 Kazak ISR mines to UUU (50% holding in Akbastau; and 49.7% holding in Zarechnoye) plus US\$610m. The deal is expected to close late 2010. UUU consolidated uranium production in Kazakhstan is expected to rise to 16mlbspa post deal (from 10mlbs) at total cash costs of production under US\$20/lb.
- The deal with UUU could **propel ARMZ into the top 3 global uranium producers** and give the company a solid platform for global expansion, including into Namibia where it is reported to have budgeted US\$1bn for exploration and development. Rosatom is looking to expand its access to uranium supply globally.
- **USA, Wyoming uranium projects** advancing: **Peninsula Minerals (ASX:PEN)** announced an initial JORC Resource at the Lance ISR project in the Powder River Basin (15.1mlbs U₃O₈ grading 504ppm); **Ur-Energy (TSX:URE)** final production permits expected 2H10 at Lost Creek ISR project – potential project commissioning 1H11; **Uranium One (TSX:UUU)** expecting production from Powder River Basin projects Christensen Ranch and Irigaray 2011 – acquisition of these projects was completed Jan '10 (US\$35m); **Titan Uranium (TSX:V:TUE)** completed PFS on Sheep Mountain – potential production 1.5mlbspa U₃O₈ via conventional mining, 11 year mine life, capex US\$118m, opex US\$28.7/lb.
- In May 2010, the **Australian Federal Government** announced intentions to introduce a **resource rent tax (RSPT) of 40%** on Australian resource projects from 1 July 2012.

"Uranium mine supply growth in Kazakhstan threatens to weigh down the sector cost curve in the short to medium term. Production growth from Kazakhstan has been phenomenal in recent years with production reaching 36mlbs U₃O₈ in 2009 up 62% from 2008 levels of 22mlbs. 2010 production is forecast to reach 47mlb. Production is low cost and frequently below US\$20/lb. As evident earlier in the year, a floor price of around US\$40/lb seems to be holding well but there is no significant utility demand to drive the market up. Timing of purchases from China continues to be the main unknown and has the potential to influence short term price trends." John Wilson, Managing Director of RCR said.

About Resource Capital Research

Resource Capital Research ("RCR") (www.rcresearch.com.au) was founded in 2004 and is based in Sydney. RCR provides investors with in-depth reports on current investment opportunities in the mining sector both in Australia and globally. The focus is on small and mid cap resource companies, within the gold and uranium sectors, ranging from exploration stage through development and production. John Wilson the principal of the firm and analyst has over ten years' experience analysing mining companies in Sydney and on Wall Street including for major investment banks.

For further information please contact:

John Wilson, Analyst, Resource Capital Research,
Phone: (+61- 2) 9252 9405, Email: johnwilson@rcresearch.com.au

The report is available at www.rcresearch.com.au. The next Uranium Sector Review will be published in the September Quarter, 2010. The gold and iron ore reviews are also released quarterly.

Abbreviations: WNA – World Nuclear Association, ktpa – thousand tonnes per annum, lb – pound, Mlb pa – million pounds per annum, U₃O₈ – uranium oxide.

RCR June Quarter Featured Company Summary

AUSTRALIA

| Company | Code | Comment |
|--|------------|--|
| African Energy Resources Limited | AFR | Pre-Feasibility Study AFR is drilling 21,000m at five projects in 2-4Q10, with ~50% for new targets. Priority targets include Chisebuka (Zambia) – a possible analogy to Njame (7.8mlbs U3O8) – and Gojwane (Botswana), adjacent to the 158mlb U3O8 Letlhakane deposit. |
| Australian-American Mining Corp. NL | AIW | Scoping The former Monaro Mining has changed name to indicate its focus on USA uranium. AIW holds advanced, "brown fields" exploration projects with resources of 12.3mlbs U3O8, a figure that drilling could double in the coming year. Production is possible from 2H12. |
| Bannerman Resources Limited | BMN | DFS, Advanced Exploration A share market overly focused on weak uranium spot prices can lose sight of strategic asset values. We believe this is the case with BMN's 162mlb Etango uranium project. Our target price of A\$0.69/share (using US\$60/lb long term prices) is a modest US\$0.64/lb resource. |
| Black Range Minerals Limited | BLR | Scoping BLR finally has an agreement (signed May '10) to acquire an option that would give it 100% of the Hansen Uranium Deposit, CO (historic ~30mlbs of U3O8), to add to its 60.2mlb U3O8 inventory at adjoining Taylor Ranch. An initial Hansen JORC resource is possible in 2H10. |
| Energy and Minerals Australia Limited | EMA | Resource Definition A 25% increase in the Ambassador resource brings the Mulga Rock Deposits (MRD) uranium resource to 27.1kt U3O8 (59.6mlbs), in sandstone and lignite. A Scoping Study is expected by the end of July 2010. EMA anticipates uranium production in 2H13. |
| Energy Resources of Australia Limited | ERA | Producer ERA is focused on mining, evaluating and exploring its leases in the highly prospective East Alligator River region (NT). Potential new Ranger projects include heap leach from 2013; and u/g mine at Ranger 3 Deeps. RCR ERA NAV A\$16.90/share. |
| Extract Resources Limited | EXT | Advanced Exploration Extract's stock price has fallen well below our NAV of A\$8.19/share, presumably due to weak uranium markets combined with uncertainty over the future ownership structure of its Rössing South project. This discount seems unjustified for such a world class project. |
| Greenland Minerals and Energy Limited | GGG | Pre-Feasibility Study The Kvanefjeld Deposit, which is forecast to be a major global provider of REE (43.7kt/yr) and uranium (3.9kt/yr U3O8), could see a resource upgrade after 2H10 drilling. There are recent signs that the Greenland Govt. could relax its zero tolerance uranium policy. |
| Mantra Resources Limited | MRU | BFS MRU is advancing the Nyota project (Tanzania) to development stage. PFS indicates 3.7mlbspa U3O8 production over 12 year LOM from 2012; opex US\$25.05/lb, capex US\$343m. Good exploration upside; potential for low cost modular expansion. |
| Mindax Limited | MDX | Advanced Exploration Well funded after a strategic A\$7.8m share placement to Lion Group, MDX expects good results from its WA exploration program in 2-3Q10. Value drivers could include an expanded hematite resource at Mt Forrest and follow-up drilling to 0.2% U3O8 hits at Jindarra. |

AUSTRALIA (cont.)

| Company | Code | Comment |
|-------------------------------------|-------------|---|
| Paladin Energy Limited | PDN | Producer PDN has growth potential at African operations to 13.8mlbspa U3O8 (up from 8.5mlbs) from 2014. LH March Q production 928klbs U3O8 exceeds Stage 2 nameplate design (925klbs/q). Kayelekera ramp-up on track to hit nameplate production (3.3mlbspa) 3Q10. |
| Peninsula Minerals Limited | PEN | Prefeasibility Study Lance ISR project (USA) initial JORC Resource 15.1mlbs @ 504ppm U3O8 (Ross and Barber) announced April '10; resource target 65-95mlbs. PFS expected 2Q10. BFS 4Q10; production potential 2012. Five drill rigs on site. |
| Toro Energy Limited | TOE | BFS and Exploration Cashed up Toro (5.5c/share cash) now looks oversold due to the ongoing concerns over a super profits tax. The current share price implies its 24.4mlb Wiluna (WA) calcrete uranium project resource (BFS underway) is currently valued at no more than US\$0.50/lb. |
| White Canyon Uranium Limited | WCU | Production Production at the Daneros Uranium Mine (Utah) has hit 55ktpa (0.36mlbspa U3O8) ahead of schedule, bringing forward a planned toll treatment at White Mesa Mill to late 2010. Regional drilling in 2H10 is aimed at defining resources to double uranium output. |

CANADA

| Company | Code | Comment |
|--|-------------|---|
| CanAlaska Uranium Ltd | CVV | Mid Exploration CVV has a large strategic land position (1.15m Ha) in the Athabasca Basin, targeting large, high grade unconformity style deposits. A C\$6m exploration program was completed in Winter 2010; drilling 4 projects. Since Sept '04 CVV has spent over C\$65m on exploration. |
| Strathmore Minerals Corporation | STM | DFS/Permitting STM is rationalising holdings to focus on two U.S. advanced stage, strategic projects. Roca Honda (NM, underground), with JV partner Sumitomo (40%); production potential post 2014. Gas Hills (WY, open pit) potential production post 2015. |
| Ur-Energy Inc | URE | Permitting Final permits for uranium production at the Lost Creek ISR project (WY) are expected in 2H10, ahead of commissioning in 1H11. Production could ramp up to 1mlbs/yr U3O8, with costs <US\$25/lb. Resource inventory is 27.5mlb U3O8, targeting additional 24-28mlbs. |