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MINING & METALS

January 10, 2011

Uranium Comment

Demand To Drive U_3O_8 Prices In 2011

Companies Highlighted:

Bannerman Resources Ltd.
Market Perform – C$0.75 target

Cameco Corp.
Buy – C$46.50 target

◆Denison Mines Corp.
Buy – C$4.00 target

Fronteer Gold Inc.
Restricted

Mantra Resources Ltd.
Tender – C$8.00 target

◆Paladin Energy Ltd.
Restricted

Uranium One Inc.
Market Perform – C$4.50 target

◆Uranium Participation Corp.
Buy – C$9.60 target

◆ During the past twenty-four months, Cormark Securities Inc., either on its own or as a syndicate member, participated in the underwriting of securities and/or provided financial advice regarding the stock market insight and financial analysis regarding potential transactions for these companies

Disclosure statements located at the back and inside back cover

Unless otherwise denoted, all figures shown in US$
We are using C$1.00 conversion rate

A number of developments and transactions within the uranium space were concluded in 2010, pointing to a strong demand-driven rise in the commodity price right out of the gates in 2011. Last year, we saw China, almost in "rapid-fire" sign a number of deals with the likes of Areva, Cameco, and Paladin Energy to secure U_3O_8 off-take. By our calculation, the Chinese uranium stockpile build still has a long way to go when put in context relative to its reactor construction plans. With China in 2010 locking-up a significant portion of the most secure sources of U_3O_8 off-take globally, the race is on among other countries with sizeable nuclear ambitions, to scoop up whatever is left. This is likely to manifest itself in the form of increased spot market activity in 2011 and beyond, and higher U_3O_8 prices over the short and longer terms as a result.

Meanwhile, the supply-side remains extremely tight with very few new large-scale operations coming on-line in the near term, and some of the largest producing U_3O_8 mines experiencing production shortfalls. New sources of supply continue to be at risk, Russia has cast a shadow on the availability of Kazakh in-situ uranium inventories to the west, and the HEU agreement is still scheduled for termination exiting 2013. Led by the strong, less-discretional demand side and a supply side that is struggling to keep pace, expect U_3O_8 prices to strengthen in 2011 and the equities to outperform as a result.

Cormark Price Deck	2011E	2012E	2013E	2014E	2015E
U_3O_8 Spot ($/lb)	$70.00	$75.00	$80.00	$80.00	$70.00
U_3O_8 LT ($/lb)	$75.00	$80.00	$85.00	$85.00	$75.00

Calendar year estimates shown

U_3O_8 Prices To Strengthen In 2011

Demand Side Looks Strong, With China As The "Driver" And The "Spark"

At present, there are 441 nuclear reactors operating in the world, another 63 currently under construction, an estimated 143 more in the planning/design stage and an additional 331 under proposal. This equates to installed nuclear capacity of 376.3 GW at present, with another 64.7 GW under construction, 158.4 GW in planning/design (2020+), and an additional 376.4 GW of proposed nuclear generation capacity globally (2030+). The largest drivers of this growth are China and India, which based on their proposed nuclear plans, will bring on 80 GW and 20 GW of generation capacity, respectively by 2020, with upside to 112 GW and 24 GW in that year should the "upper-case scenario" prove true. Led by China and India, holding enrichment and reprocessing technology constant, and based on an "average-case" conservative scenario, the global nuclear renaissance outlined above translates into annual U_3O_8e consumption of 130 MMlb (currently), 151 MMlb (2015), 182 MMlb (2020) and 337 MMlb (2030+). While it has been no secret that the nuclear ambitions of China would (and have been) the primary "driver" behind stronger U_3O_8 prices in 2010, the "rapid fire" agreements signed with Cameco (2), Areva, and Paladin Energy last year should also act as the "spark" that ignites the demand side for the commodity out of the gates in 2011. To put it simply, making a number of conservative assumptions related to the uranium off-take deals China has signed to date (discussed in more detail later in the report), the country has secured ~28 MMlb U_3O_8e per annum through ~2025. Given its current consumption rate of 4 MMlb U_3O_8e, domestic production of 2 MMlb, and the rate that it is building new reactors, we estimate that China is still on the hunt for an additional 20-30 MMlb of sustainable U_3O_8e off-take per annum by 2020. While this is longer term, the fact that in 2010 the world's burgeoning nuclear power super-power tied up such a large quantity of all future global uranium production, from arguably the three most secure sources in the world (CCO, Areva, PDN), should force other utilities and countries to compete far more fiercely for whatever is left. Combined with the recent re-entry of U_3O_8 trading houses representing non-discretional albeit artificial demand, we expect the spot and long-term prices to remain in a strong upward trend throughout 2011 and thereafter.

Supply Side Is Tight

Putting the strong and less price discretional demand side aside, the supply side for U_3O_8 also appears to be extremely tight in 2011, 2012 and 2013, before a step-change down in Q1/14 when the HEU agreement terminates, and before Cigar Lake is fully ramped up. More recently, we have seen significant production shortfalls at some of the largest sources of mine production, namely, Olympic Dam (BHP), Ranger (ERA), and Rossing (Rio Tinto). While the setback at Olympic Dam can be considered non-recurring, the shortfalls at Ranger and Rossing (combined output of 17 MMlb or 12% of global mine supply) are far more important to the positive outlook for the commodity price given the fact that their misses were due to lower than expected head grades, a problem common with mature operations such as those, and typically hard to rectify. Resulting primarily from these two operations, combined with several other smaller mines and mine ramp-ups, through 2011 and 2012, we expect global U_3O_8 mine output to remain flat or decrease slightly, in spite of the production ramp-up coming out of Kazakhstan in those years. Compounding factors further serving to tighten the supply side for uranium (and discussed in greater detail later in this report) are the Uranium One/ARMZ partnership, which may result in Russia hoarding/stockpiling this material, the fact that producers are well-capitalized at present and are unlikely to be "forced" sellers at spot, and the HEU remaining on schedule for termination exiting 2013.

Supply / Demand Shortfall To Drive Spot And LT Prices Higher

With China not only "driving" U_3O_8 prices higher on its own merits but also serving as the "spark" that will ignite the demand side of the equation for other countries and utilities, 2011 should be a strong year for uranium and uranium equities. Supply remains tight on production shortfalls, anticipation of the HEU termination, and uncertainty of the availability of Kazakh production to the western world. In Figure 1, we present our updated supply/demand model as well as a bullish and bearish case for the commodity relative to our estimates.

Figure 1 **Overview Of Supply/Demand Shortfall**

	Global Nuclear Capacity (Number of Reactors)														
Reactor Units	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
Base	436	442	449	459	467	481	495	505	521	538	553	577	612	649	689
High	436	443	455	464	474	489	502	521	544	572	599	626	661	701	745
Low	436	437	445	449	452	467	480	486	490	493	54	513	530	550	576
	Global Nuclear Capacity (GWe)														
GWe	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
Base	372	376	383	391	403	419	432	443	458	479	497	527	558	592	629
High	372	378	388	396	408	425	439	456	482	514	548	577	609	646	686
Low	372	372	379	384	390	404	419	425	430	436	451	462	477	496	519
	Reactor Consumption (MMlb U3O8)														
MMlb U3O8	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
Base	128	130	132	135	139	144	149	153	158	165	172	182	193	204	217
High	128	130	134	137	141	147	151	157	166	177	189	199	210	223	237
Low	128	128	131	133	135	140	145	147	148	151	156	160	165	171	179
	Inventory Requirement (MMlb U3O8)														
MMlb U3O8	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
Base	43	57	50	58	65	60	68	64	73	80	74	80	86	93	101
High	61	59	65	73	82	76	85	79	86	91	80	88	97	106	112
Low	27	54	29	32	37	32	34	33	40	50	45	55	66	79	94
	Cormark Reactor Consumption + Inventory Building														
MMlb U3O8	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
Base	184	187	182	193	204	204	217	217	231	245	245	261	279	297	318
High	184	189	199	210	223	223	237	237	252	269	269	287	307	329	349
Low	184	182	160	165	171	171	179	179	189	200	200	214	231	250	273
	Cormark U3O8 Mine Production														
MMlb U3O8	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
Base	132	137	137	142	153	171	182	188	187	187	193	199	202	200	197
High	132	142	143	149	161	179	192	198	197	197	202	209	212	210	207
Low	132	133	134	135	146	162	173	179	178	178	183	189	191	190	188
	Cormark Secondary U3O8 Supplies														
MMlb U3O8	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
FSU Supply	24	21	17	17	17	9	9	9	8	7	6	5	4	3	2
HEU Supply	12	12	12	12	12	0	0	0	0	0	0	0	0	0	0
USEC/Urenco Sales	5	5	5	4	3	3	2	2	2	2	2	2	2	2	2
US Gov't Stocks	3	4	3	2	3	5	5	5	5	5	5	5	3	3	3
MOX + Reproc. U	8	8	7	7	7	7	7	7	7	7	7	7	7	7	7
Total Secondary	**52**	**49**	**43**	**42**	**42**	**24**	**23**	**23**	**22**	**21**	**20**	**19**	**15**	**14**	**13**
	Supply Surplus (Shortfall)														
MMlb U3O8	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
Cormark Case	(0)	(1)	(2)	(9)	(9)	(10)	(12)	(6)	(22)	(38)	(33)	(44)	(62)	(84)	(107)
Bull Case	(0)	(7)	(22)	(34)	(35)	(37)	(41)	(35)	(52)	(70)	(66)	(80)	(100)	(125)	(148)
Bear Case	(0)	9	27	26	32	32	35	41	29	17	21	13	(4)	(26)	(53)

Sources: Cormark, UxC

Adjusting U_3O_8 Price Forecast, Raising LT Price Deck

On the back of our revised supply/demand schedule we are taking this opportunity to adjust our U_3O_8 price forecast. We have always been bullish on the commodity (utilizing $80/lb U_3O_8 in 2011-2014), but previously had employed a long-term deck of $55/lb beginning in 2015 and carrying on thereafter. This price deck was meant to represent a level approximating the all-in-cost of marginal production, effectively acting as a "hurdle" to separate projects that would be built from projects that would not be in the context of the U_3O_8 price environment last year. Going forward, we are leaving our $80/lb U_3O_8 spot estimates unchanged for 2013-2014, and lowering our 2011 estimate slightly from $80/lb to $70/lb and 2012 estimate slightly from $80/lb to $75/lb. We expect U_3O_8 spot prices to exit 2011 at higher than $70/lb, but are trimming our estimate given the current spot price level entering the year. We are raising our term price estimate modestly in 2012-2014 to take into account premiums paid for security of LT supply under contract. Longer term (2015 and thereafter), we are increasing our price deck from $55/lb to $75/lb due largely to the implied U_3O_8 off-take price between Areva and China National Nuclear Corp (CNNC) / China Guangdong Nuclear Power Corp (CGNPC).

Figure 2 **Cormark U_3O_8 Price Projections**

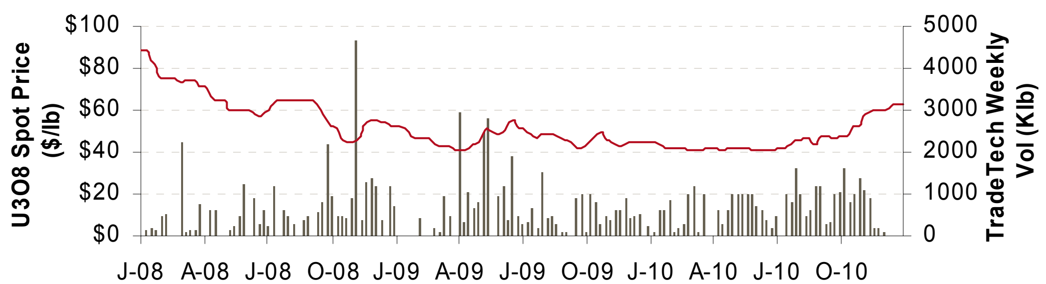
Previous	2009A	2010A	2011E	2012E	2013E	2014E	2015E+
Cormark Spot	$47	$46	$80	$80	$80	$80	$55
Cormark Term	$65	$62	$75	$75	$75	$75	$55
Revised	**2009A**	**2010A**	**2011E**	**2012E**	**2013E**	**2014E**	**2015E+**
Cormark Spot	$47	$46	$70	$75	$80	$80	$70
Cormark Term	$65	$62	$75	$80	$85	$85	$75

Source: Cormark Securities

Areva – China Deal A Strong Indicator Of LT U_3O_8 Prices

Announced on November 4, 2010, the $3.5 BB strategic agreement between Areva and China calls for Areva to supply 20,000 short tons of uranium to CGNPC and CNNC over a 10-year period. Granted, virtually no detail was provided in the announcement made by Areva relating to timing of deliveries and price method utilized (forward, implied, future value, intrinsic value, etc.), but the strategic agreement loosely implies a LT uranium price of ~$74/lb U_3O_8. We note that at the time of this agreement, the LT U_3O_8 price as quoted by UxC was $62/lb, signifying to investors China's willingness to pay a large premium for security, and most importantly, size of supply. We are increasing our LT price deck to $75/lb U_3O_8 from $55/lb previously, bringing it in line with the implied price of the Areva-China agreement. Our rationale for this is simply the fact that given the size of the off-take and the security of the supplier, ~$75/lb represents a very strong support level for the commodity longer term.

Figure 3 **U_3O_8 Spot & Long Terms Prices With Spot Market Volumes**



Sources: Cormark, UxC, TradeTech

Supply & Demand In More Detail

Demand Side Driven By China

At present, China has nuclear generation capacity of 11 GW, equating to steady-state U_3O_8e consumption of approximately 4 MMlb per annum. Over the next decade, the country will be investing approximately $175 BB in the construction of the Haiyan Nuclear Industrial Park, 120km southwest of Shanghai. Between CNNC and CGNPC, China, through the completion of this complex, aims to boost its nuclear generation capacity, inside of the next decade, to between 80 and 112 GW, a range that equates to annual U_3O_8e consumption of 28-39 MMlb U_3O_8e holding enrichment and reprocessing technology constant. Longer term, the nuclear ambitions of China are even more aggressive, as the country intends to ramp its nuclear capacity to 140-160 GW, a range that equates to consumption/depletion of 49-56 MMlb U_3O_8e per annum. By our estimation, between CNNC and CGNPC, China has secured approximately 28 MMlb of U_3O_8 off-take per annum, which means that it is still short 20-30 MMlb U_3O_8 of sustainable annual supply, given its current domestic production rate of 2 MMlb per annum. Combine this annual shortfall with the 7-10 years' worth of U_3O_8e material for lead-time on initial cores and initial inventories required by new nuclear reactors, and CNNC/CGNPC appear to be short an additional 50-75 MMlb U_3O_8 over the next decade. This assumes China's stockpile currently sits at ~35 MMlb U_3O_8, a figure derived from our estimates of the country's spot and long-term activity over the last number of years.

China Still Has A Long Way To Go

Presumably, the 50-75 MMlb worth of start-up material would be sourced via the spot market over the next decade if possible, whereas the 20-30 MMlb U_3O_8 annual shortfall (annual consumption at 140-160 GW less: 28 MMlb estimated U_3O_8e off-take already secured less: 2 MMlb of domestic production) would be sourced via new off-take agreements. To put it simply, by our estimation, and holding enrichment and reprocessing technology constant, China is still not even half-way finished its uranium stockpile build. In Figure 4, we present a comprehensive list of agreements involving CNNC/CGNPC and the securitization of uranium off-take over the last several years, along with our best estimate as to the amount of U_3O_8e secured per individual agreement when not provided.

Figure 4 **China Uranium Transactions**

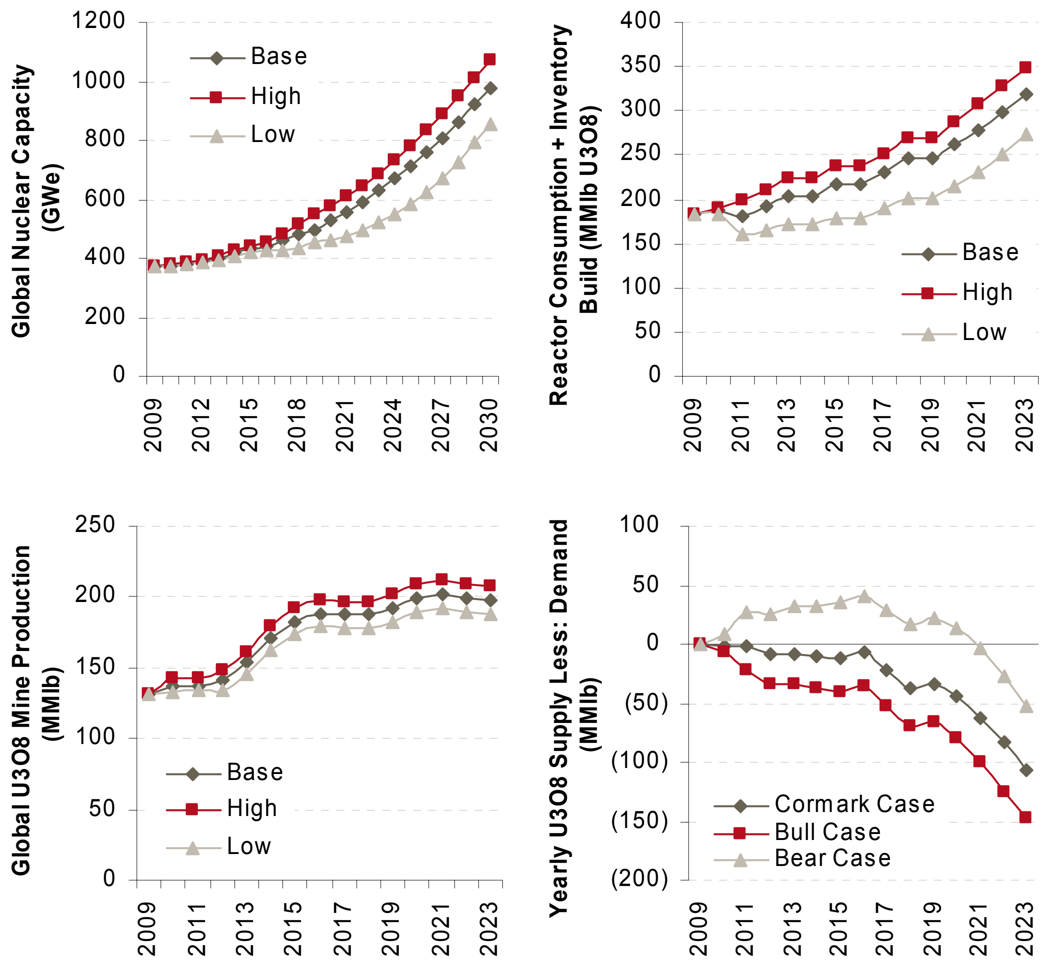
Announce Date	Parties Involved Acquirer	Seller	Agreement Details	Quanty Disclosed?	Est. Offtake (MMlb/yr)
Nov 26, 2007	CGNPC	Areva	China to off-take 35% of Trekkopje output in Namibia	Yes	2.7
Jun 11, 2008	CGNPC	Kazatomprom	China acquires 49% of Irkol, Semizbay, and Zhalpak	Yes	2.0
Oct 31, 2008	CNNC/CGNPC	Kazatomprom	China signs JV development agreement	No	4.3
Nov 21, 2008	CGNPC	ERA-AU	China signs strategic agreement with ERA at Ranger	No	3.0
Sept 8, 2009	CGNPC	EME-AU	China acquires 70% of Energy Metals / Bigrlyi	No	2.5
Jan 6, 2010	CNNC	Niger	China acquires 37.2% stake in Azilek mine	Yes	0.8
Jun 10, 2010	CGNPC	Uzbekistan	China sets up 50/50 JV with Uzbek state-owned U3O8 co.	No	1.5
Jun 25, 2010	CGNPC	Cameco	China signs strategic MOU with Cameco regarding off-take	Yes	2.3
Aug 5, 2010	CGNPC	Paladin	China signs strategic MOU with Paladin Energy	No	2.5
Nov 5, 2010	CGNPC	Areva	China signs strategic agreement with Areva	Yes	4.8
Nov 24, 2010	CGNPC	Cameco	China signs supply agreement with Cameco	Yes	2.0
				Total	**28.4**

Source: Cormark Securities

Demand Side Sparked By China

In 2010, in a series of large, "rapid-fire" deals, China secured +9 MMlb U_3O_8 off-take from arguably the three most secure sources of the material globally, Areva, Cameco, and Paladin Energy. Equating to ~25% of annual spot-market volumes, these transactions should force other utilities and countries to compete far more fiercely for whatever is left. Combined with the recent re-entry of U_3O_8 trading houses, we expect the spot and long-term prices to remain in a strong upward trend throughout 2011 and thereafter.

Figure 5 **Nuclear Generation Capacity & Supply Vs. Demand**



Source: Cormark Securities

Supply Side Is Tight

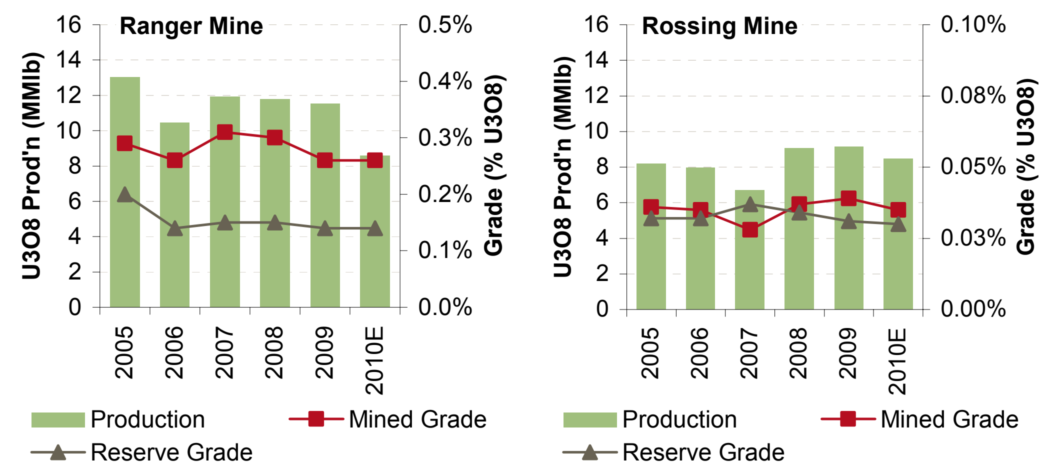
The supply side for U_3O_8 appears to be extremely tight in 2011, 2012 and 2013, before a step-change down in Q1/14 when the HEU agreement terminates, and before Cigar Lake is fully ramped-up. Combined with recent (and likely to be on-going) production shortfalls at some of the largest sources of conventional mine production, namely, Ranger (ERA), and Rossing (Rio Tinto), for the most part, mine supply appears to be relatively price inelastic. Kazatomprom produced ~42 MMlb U_3O_8 in 2010, and is in the twilight stage of its production expansion plans to 60 MMlb. With some of the largest in-situ uranium resources in the world, Kazakhstan has always been a "wild-card" on the supply side, but we note that by all accounts, the ISL mines Kazatomprom currently has in operation can be considered the "low-hanging fruit". The Kazakh in-situ U_3O_8 deposits not currently producing or in development are of a lower quality and/or higher cost nature. At present, Kazatomprom therefore has no plans of increasing output beyond 60 MMlb/yr unless a materially higher price environment persists. Compounding factors further serving to tighten the supply side for uranium are the UUU/ARMZ partnership, which may result in Russia hoarding/stockpiling this material, or at least creating uncertainty in the eyes of other countries and utilities as to the availability of Kazakh U_3O_8 in the future. Putting Kazakhstan aside, producers are well-capitalized at present and are therefore unlikely to be "forced" sellers at spot.

Production At Largest Conventional Operations Trending Lower On Grade

Over the last five years, production at Ranger and Rossing, two of the world's largest, conventional uranium mines (and two of the safest sources of supply) has been stagnant, or in decline. This is concerning to the global supply-demand picture for the commodity not only due to the scale of these two operations (combined output +12% of global mine supply), but also that the shortfall can be attributed to the decline in average head grade. To put it simply, the best days of both the Ranger and Rossing mines are long gone, where years of mining well above the reserve grade is starting to catch up with ERA and Rio Tinto. Granted, there are expansion plans loosely in place at both operations, but permitting has been and will continue to be a potentially insurmountable issue, and average head grades and reserve grades have been unable to even stay flat. With ERA and Rio Tinto both guiding to lower grades continuing in the years ahead at Ranger and Rossing, look for lower guidance and/or production shortfalls at these two operations going forward.

Figure 6 **Ranger And Rossing Production Trending Lower**

ERA - Ranger Mine	**2005**	**2006**	**2007**	**2008**	**2009**	**2010E**
U3O8 Produced (MMlb)	13.0	10.5	11.9	11.8	11.5	8.6
Reserve Grade YE (%)	0.20%	0.14%	0.15%	0.15%	0.14%	0.14%
Mined Grade (%)	0.29%	0.26%	0.31%	0.30%	0.26%	0.26%
Rio Tinto - Rossing Mine	**2005**	**2006**	**2007**	**2008**	**2009**	**2010E**
U3O8 Produced (MMlb)	8.2	8.0	6.7	9.1	9.1	8.5
Reserve Grade YE (%)	0.03%	0.03%	0.04%	0.03%	0.03%	0.03%
Mined Grade (%)	0.04%	0.04%	0.03%	0.04%	0.04%	0.04%
Combined % Of World Prod'n:	**20%**	**18%**	**17%**	**18%**	**16%**	**12%**



Sources: Cormark, ERA, Rio Tinto, UxC

UUU/ARMZ Partnership

With the partnership of UUU and ARMZ now consummated, Uranium One has effectively relinquished majority ownership of the company to Russia/Rosatom. In our view, this may call into serious question the ability of UUU to pick and choose which utilities/countries it does or does not supply. Over the longer term, whether UUU delivers all its output to ARMZ or not, does not matter today to the global macro, as even the uncertainty or fear of this occurring is enough to drive additional non-discretional buying of U_3O_8 in the spot market. Take TEPCO for an example, which dissolved its investment/relationship with Uranium One after the ARMZ merger. UUU repurchased C$272 MM worth of convertible bonds held by JUMI (a Japanese consortium including TEPCO) at a premium, and amended its off-take agreement with TEPCO. Under the revised terms, while TEPCO is still entitled to 2.5 MMlb/yr (2014-2025), this is actually a smaller amount of off-take relative to the original deal which entitled the Japanese utility to 20% of Uranium One's yearly production. As a result, this shortfall (20% of UUU's max output less: 2.5 MMlb) effectively translates into TEPCO being out 2.5 MMlb by 2015. This discrepancy will have to be remedied by TEPCO at some point in the future via spot market purchases or a new off-take agreement other than UUU. More importantly, the move by TEPCO to dissolve its ties with UUU along with the amended/reduced off-take agreement effectively signals other countries and/or utilities that Kazakh output via Uranium One and ARMZ may not be available for purchase.

Risks To Supply-Demand Forecasts

1) Enrichment Technology: Improvements in uranium enrichment technology effectively reduces the amount of U_3O_8 (mined uranium oxide) required per unit of nuclear power generation. Significant R&D capital is being expended on improving current enrichment design and technology, but at present little has been demonstrated suggesting the viability of commercial scale alternatives. In our view, improvements in enrichment technology represent more of a longer term risk as opposed to something that may impact price over the short or medium terms.

2) Reprocessing Technology: Similar to improvements to the enrichment process, the recycling or reuse of depleted nuclear fuel would also curtail the demand for required uranium oxide per unit of nuclear power generation. CNNC has reportedly made strides with respect to uranium reprocessing, but the technology is still in its infant stage with commercial viability likely taking at least a decade to be proven. As such, similar to enrichment technology improvements, we view the risk of reprocessing technology breakthroughs as something that may eventually impact price, but over the much longer term.

3) Expanded Kazakh Production: While we do not envisage Kazatomprom ramping output beyond its stated 60 MMlb/yr level, the sheer magnitude of the undeveloped in-situ U_3O_8 resources in Kazakhstan will always make a higher production level a risk. That said, we note that by its own admission, Kazatomprom will not ramp production beyond 60 MMlb unless materially higher prices persist.

4) Delays in Nuclear Reactor Buildouts: Given the fact that the vast majority of nuclear reactors will be built with government funding, the risk is not that they will not be built, but rather that the construction schedules may be more long-tailed than currently forecasted.

Own The Equities: Torque To The Commodity

Updating Valuation To Incorporate Longer Term Value

In our targets and recommendations going forward, we are incorporating our revised U_3O_8 price deck, rolling forward to 2012E CFPS estimates, and altering our valuation methodology for producers from one based solely on CFPS, to an equally blended NAVPS/CFPS target multiple. This is being done in an effort to properly ascribe value for longer term projects within a company's asset portfolio that may not merit a construction go-ahead decision in the current spot/long-term price environment, but will show meaningful NPVs and IRRs at our LT U_3O_8 price deck of $75/lb. Companies at the exploration/development stage, in addition to Uranium Participation Corp., we continue to value on a NAVPS target multiple. In Figures 7 and 8 we present our revised estimates, targets, target multiples, and recommendations.

Figure 7 **Previous And Revised Estimates**

	Previous					Revised				
	2011		2012		NAVPS	2011		2012		NAVPS
	EPS	CFPS	EPS	CFPS	(C$)	EPS	CFPS	EPS	CFPS	(C$)
Cameco	$1.82	$2.39	$2.03	$2.70	$24.79	$1.55	$2.13	$1.73	$2.40	$33.82
Uranium One	$0.16	$0.29	$0.21	$0.34	$3.33	$0.19	$0.31	$0.19	$0.32	$4.50
◆Denison	$(0.03)	$0.15	$(0.02)	$0.26	$3.22	$(0.04)	$0.14	$(0.02)	$0.26	$3.83
Bannerman	N/A	N/A	N/A	N/A	$0.63	N/A	N/A	N/A	N/A	$0.75
◆Uranium Part. C	N/A	N/A	N/A	N/A	$9.59	N/A	N/A	N/A	N/A	$9.59
Mantra	N/A	N/A	N/A	N/A	$6.89	N/A	N/A	N/A	N/A	$8.25
◆Paladin	$0.11	$0.38	$0.25	$0.51	$3.74	Restricted				
Fronteer Gold	N/A	N/A	N/A	N/A	$10.90	Restricted				

◆ During the past twenty-four months, Cormark Securities Inc., either on its own or as a syndicate member, participated in the underwriting of securities and/or provided financial advice regarding the stock market insight and financial analysis regarding potential transactions for these companies

Source: Cormark Securities

Figure 8 **Revised Targets, Multiples And Recommendations**

	Previous			Revised		
	Target Mult.	Target	Rec.	Target Mult.	Target	Rec.
Cameco	1.4x NAVPS	C$35.00	Mkt. Perf.	1.6x NAVPS, 16x CFPS	C$46.50	Buy
Uranium One	12.0x CFPS	C$3.75	Reduce	1.2x NAVPS, 12x CFPS	C$4.50	Mkt. Perf.
◆Denison	1.0x NAVPS	C$3.25	Buy (S)	1.2x NAVPS, 12x CFPS	C$4.00	Buy
Bannerman	1.0x NAVPS	C$0.65	Mkt. Perf.	1.0x NAVPS	C$0.75	Mkt. Perf.
◆Uranium Part. C	1.0x NAVPS	C$9.60	Buy	1.0x NAVPS	C$9.60	Buy
Mantra	1.2x NAVPS	C$8.00	Tender	1.0x NAVPS	C$8.00	Tender
◆Paladin	15.0x CFPS	C$6.00	Buy	Restricted		
Fronteer Gold	1.0x NAVPS	C$11.00	Buy	Restricted		

◆ During the past twenty-four months, Cormark Securities Inc., either on its own or as a syndicate member, participated in the underwriting of securities and/or provided financial advice regarding the stock market insight and financial analysis regarding potential transactions for these companies

Source: Cormark Securities

Summary Of Changes

Given that the changes to our U_3O_8 price forecasts in 2011-2014 were slight, the adjustments to our estimates, and targets, are relatively minor. The largest impact is with respect to the DCF-based NAVPS estimates for the equities under our coverage list given our LT price deck increase from $55/lb to $70/lb (2015+). Along with the changes to our estimates, we are upgrading our recommendations on Cameco, Denison Mines, and Uranium One. We continue to rate Mantra a Tender as the AU$8.00/share all-cash bid from ARMZ represents approximately 1.0x NAVPS at $75/lb LT U_3O_8. We remain restricted on Paladin and Fronteer Gold following the agreement struck between the two companies related to FRG's Michelin uranium project in Labrador, Canada. Denison is being upgraded from a Buy (S) to a Buy, and offers the greatest torque and leverage to strength in the commodity, and Bannerman remains a Market Perform given the onerous capital cost of the Etango project. There is no change to our Buy rating or target on Uranium Participation Corp. In addition to our U_3O_8 price forecast revisions, we are also adjusting our C$/US$ FX rate from 0.97 to 1.0 going forward.

Figure 9 **Leverage / Torque To The Commodity**

2012 CFPS Sensitivity

2012 Price	CCO	DML	UUU	BAN	UPC	MRL	PDN	FRG
$50	$1.71	$0.10	$0.19	N/A	N/A	N/A	Restrict.	Restrict.
$60	$1.96	$0.16	$0.24	N/A	N/A	N/A	Restrict.	Restrict.
$70	$2.21	$0.22	$0.29	N/A	N/A	N/A	Restrict.	Restrict.
$80	$2.45	$0.28	$0.34	N/A	N/A	N/A	Restrict.	Restrict.
$90	$2.70	$0.34	$0.39	N/A	N/A	N/A	Restrict.	Restrict.
$100	$2.95	$0.40	$0.45	N/A	N/A	N/A	Restrict.	Restrict.

NAVPS Sensitivity

LT Price	CCO	DML	UUU	BAN	UPC	MRL	PDN	FRG
$50	$23.04	$2.48	$2.72	$(1.67)	$6.66	$3.91	Restrict.	Restrict.
$60	$27.25	$2.97	$3.54	$(0.55)	$7.84	$5.77	Restrict.	Restrict.
$70	$31.45	$3.47	$4.35	$0.49	$9.02	$7.62	Restrict.	Restrict.
$80	$36.05	$3.98	$5.17	$1.54	$10.20	$9.48	Restrict.	Restrict.
$90	$39.89	$4.48	$5.99	$2.58	$11.38	$11.33	Restrict.	Restrict.
$100	$44.11	$4.98	$6.81	$3.62	$12.56	$13.19	Restrict.	Restrict.

Source: Cormark Securities Estimates

Cameco Corp.
Buy – C$46.50 Target

We are increasing our target price on Cameco from C$35.00 to C$46.50 incorporating our revised price deck, rolling forward to 2012E CFPS estimates, and boosting our target multiple from 1.4x NAVPS to an equally blended multiple of 1.6x NAVPS and 16.0x 2012E CFPS. We note that 1.6x NAVPS is at the upper band of CCO's historical trading range of 1.0-1.6x NAVPS, a valuation that we believe is justified given the company's leadership position in the space, its strong balance sheet, and near-term (albeit higher-risk) production growth via Cigar Lake. Moreover, with the availability of Kazakh production to the West now in question, Cameco has a strong strategic advantage given its comparatively geopolitically stable production base. To put it simply, if uncovered utilities and countries are unable to buy material in size from Kazakhstan, they may be forced to approach CCO, one of the few suppliers of scale capable of large and long-term U_3O_8 deliveries (provided that it has not forward sold all of its material to China already). We still view the company as an acquirer of assets at any stage of the nuclear fuel cycle, but point to CCO's strong balance sheet and multiple advantage. We are upgrading Cameco to a Buy from a Market Perform and believe it should be a core position for any investor bullish on the commodity.

Bannerman Resources Ltd. **Market Perform – C$0.75 Target**	We are increasing our target price on Bannerman from C$0.65 to C$0.75 and maintaining our Market Perform recommendation. In our DCF-based NAVPS, we are increasing CAPEX and operating cost estimates at Etango slightly, which, along with our C$/US$ FX rate adjustment, serve to curtail the increase in our target price. While Etango is a robustly economic project at our LT price deck of $75/lb U_3O_8, the company is faced with infrastructure challenges in Namibia (namely water and power), an onerous CAPEX requirement, and the need for a better capitalized partner.
Denison Mines Corp. **Buy – C$4.00 Target**	We are increasing our target on Denison Mines from C$3.25 to C$4.00 and upgrading our Buy (S) rating on the stock to a Buy. With its higher cost production base, and significant in-situ optionality (Midwest, Mutanga, Wheeler River, etc.), Denison is among the most levered names to movements in the commodity. This is further amplified by its US listing, primary US asset (White Mesa), and excellent liquidity on both the Canada and the US exchanges. Following its recent equity financing, the company is very well capitalized to drift into the higher grade areas of Tony M, and given the scale of Areva's recent off-take agreement with China, we could see a restart of Midwest and McClean Lake (where Areva is partnered with Denison) over the mid-term. We are boosting our target multiple from 1.0x NAVPS to an equally blended valuation of 1.2x NAVPS and 12.0x 2012E CFPS.
Fronteer Gold Inc. **Restricted**	We are restricted on Fronteer Gold following its agreement with Paladin Energy.
Mantra Resources Ltd. **Tender – C$8.00 Target**	We regard the offer for Mantra Resources by ARMZ as fully and fairly valued at AU$8.00 in cash per MRL share, and are leaving our target of C$8.00 and Tender recommendation unchanged. We note that at our long-term price deck of $75/lb U_3O_8, ARMZ's bid for Mkuju River equates to ~1.0x NAVPS.
Paladin Energy Ltd. **Restricted**	We are restricted on Paladin Energy following its agreement with Fronteer Gold.
Uranium One Inc. **Market Perform – C$4.50 Target**	On the back of our price deck revision, we are increasing our target on UUU from C$3.75 to C$4.50, and upgrading our rating from Reduce to Market Perform. While we have nothing but good things to say about UUU's production growth and bottom quartile cash operating costs, we are hesitant to get more bullish on the name given the fact that should the MRL/ARMZ deal close (which we regard as highly likely), Uranium One will be facing the onerous task of coming up with $400-600 MM in a combination of additional debt and/or equity. For that reason, we expect the stock to trade in a range, or underperform the peer group until Mkuju River is absorbed by ARMZ, and UUU comes up with its cash transfer payment of ~$570 MM. We are adjusting our valuation methodology from 12.0x 2011E CFPS to an equal blend of 1.2x NAVPS and 12.0x 2012E CFPS.
Uranium Participation Corp. **Buy – C$9.60 Target**	Our target price of C$9.60 is unchanged as is our Buy rating. Our C$9.60 target is 1.0x NAVPS for Uranium Participation Corp at $75/lb U_3O_8, our price forecast in 2012. At present, UPC has 7.25 MMlb U_3O_8 and 2.37 MMkgU (7.25 MMlb U_3O_8 equivalent) in inventory, along with ~C$24 MM in cash on its balance sheet. UPC continues to be the lowest risk way in which to gain exposure to the commodity price.

Risks To Targets

Geopolitical Risk: This risk deals with policies such as permitting and tax laws that are managed by governments and the perceived stability and investment environment. These policies can greatly affect mining companies, and in some cases prevent mining from occurring.

Financing Risk: 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.

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 are always a significant risk that, in most cases, strongly affects the value of mining and mineral exploration/development companies focused on a specific commodity.

Technical Risk: 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, and in most cases have a high accuracy, but any significant variation on reserves could drastically impact a company's operations and the value of its shares.

Exploration Risk: 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.

Figure 10 Uranium Comp Table

Cormark Spot Price Deck ($/lb U_3O_8)
$46 (2010)
$70 (2011)
$75 (2012)
$80 (2013)
$80 (2014)
$70 (2015+)

Company	Symbol - Exchange	Share Price (C$)	Shares Outstanding (MM)	Market Cap (US$MM)	Cash (US$MM)	Total Debt (US$MM)	Enterprise Value (US$MM)	2009A Production (MMlb)	2010E Production (MMlb)	2014E Production (MMlb)	4-year Production CAGR	2009 Cash Cost ($/lb)	2010 Cash Cost ($/lb)	Reserves (MMlb) U3O8e	Resource (MMlb) U3O8e	11E CFPS (US$)	12E CFPS (US$)	NAVPS (C$)	EV / Resource ($/lb)	P/CFPS 2011	P/CFPS 2012	P/NAVPS	Target (C$)	Cormark Recommendation
◆ Uranium Participation	U-T	$8.05	107.6	$873	$24	$0	$849	N/A	N/A	N/A	N/A	N/A	N/A	13.5	13.5	N/A	N/A	$9.59	$63	N/A	N/A	0.84x	C$9.60	Buy
Tier I																								
Cameco	CCO-T	$37.81	393.5	$15,001	$1,270	$1,032	$14,763	20.8	22.3	29.0	5.4%	$27	$24	478.7	972.2	C$2.13	C$2.40	$33.82	$15	17.79x	15.74x	1.12x	C$46.50	Buy
◆ Paladin Energy	PDN-T	$4.96	725.6	$3,629										Under Restriction										
Uranium One[1]	UUU-T	$4.53	945.1	$4,317	$305	$684	$4,697	3.6	7.1	19.6	22.6%	$16	$15	47.8	563.5	$0.31	$0.32	$4.50	$8	14.50x	14.31x	1.01x	C$4.50	Mkt. Perf.
◆ Denison Mines	DML-T	$2.95	366.1	$1,089	$95	$0	$995	1.4	1.6	4.6	24.2%	$28	$37	13.0	113.7	$0.14	$0.26	$3.83	$9	21.08x	11.24x	0.77x	C$4.00	Buy
ERA*	ERA-AU	A$11.50	190.7	$2,186	$107	$0	$2,079	11.0	11.0	10.0	-1.9%	-	-	246.1	663.3	A$0.79	A$0.95	-	$3	14.52x	12.12x	-	-	-
First Uranium*	FIU-T	$1.30	180.9	$237	$68	$273	$443	0.0	1.2	2.3	13.8%	-	-	54.8	62.0	-$0.24	$0.09	-	$7	NM	14.57x	-	-	-
Tier I Average (ex. FIU)																			**$9**	**12.50x**	**13.59x**	**0.97x**		
Tier II																								
Mantra Resources	MRL-T	$7.75	130.2	$1,018	A$67	A$0	$951	-	-	3.9	N/A	-	-	-	101.4	-	-	$8.25	$9	-	-	0.94x	C$8.00	Tender
Bannerman	BAN-T	$0.65	231.7	$152	$23	$9	$138	-	-	7.1	N/A	-	-	-	212.6	-	-	$0.75	$1	-	-	0.86x	C$0.75	Mkt. Perf.
◆ UEX	UEX-T	$1.82	202.7	$372	$17	$0	$355	-	-	-	N/A	-	-	1.5	82.5	-	-	-	$4	-	-	-	-	-
Ur-Energy	URE-T	$2.58	101.4	$264	$38	$0	$226	-	-	-	N/A	-	-	-	24.9	-	-	-	$9	-	-	-	-	-
Extract Resources	EXT-T	$8.95	243.0	$2,193	$53	$0	$2,140	-	-	-	N/A	-	-	-	367.3	-	-	-	$6	-	-	-	-	-
Forsys Metals	FSY-T	$2.85	79.9	$230	$11	$0	$219	-	-	3.8	N/A	-	-	60.5	86.7	-	-	-	$3	-	-	-	-	-
◆ Laramide Resources	LAM-T	$1.95	67.5	$133	$13	$0	$120	-	-	-	N/A	-	-	-	62.3	-	-	-	$2	-	-	-	-	-
Mega Uranium	MGA-T	$0.97	251.0	$246	$54	$0	$192	-	-	-	N/A	-	-	-	39.3	-	-	-	$5	-	-	-	-	-
Strateco Resources	RSC-T	$0.93	140.0	$131	$21	$3	$113	-	-	-	N/A	-	-	-	20.2	-	-	-	$6	-	-	-	-	-
◆ Fission Energy	FIS-V	$0.85	86.0	$74	$22	$0	$51	-	-	-	N/A	-	-	-	24.9	-	-	-	$2	-	-	-	-	-
Uranium Energy Corp.	UEC-US	US$5.32	77.2	$410	$38	$0	$373	-	-	-	N/A	-	-	-	35.1	-	-	-	$11	-	-	-	-	-
Khan Resources	KRI-T	$0.47	54.0	$25	$11	$0	$14	-	-	-	N/A	-	-	30.7	38.7	-	-	-	$0	-	-	-	-	-
Uranerz	URZ-T	$3.71	70.8	$265	$36	$0	$229	-	-	-	N/A	-	-	-	19.1	-	-	-	$12	-	-	-	-	-
◆ U3O8 Corp.	UWE-V	$0.88	77.6	$69	$9	$0	$60	-	-	-	N/A	-	-	-	7.1	-	-	-	$8	-	-	-	-	-
◆ Hathor Exploration	HAT-V	$2.71	107.1	$293	$26	$0	$267	-	-	-	N/A	-	-	-	27.8	-	-	-	$10	-	-	-	-	-
Tier II Average																			**$6**			**0.90x**		

* Bloomberg consensus numbers for CFPS, company guidance used for production; floating FX rates used for valuation multiples — Current FX: CAD 1.0084

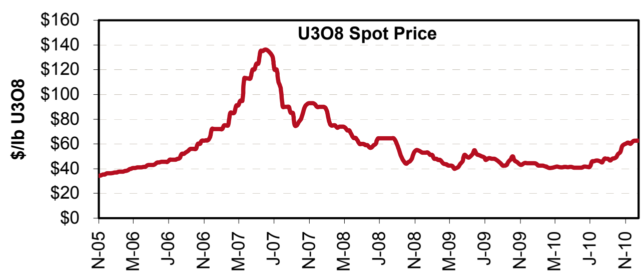
◆ During the past twenty-four months, Cormark Securities Inc., either on its own or as a syndicate member, participated in the underwriting of securities and provided financial advice regarding the stock market insight and / or financial advice regarding the stock market insight and financial analysis regarding potential transactions for these companies — AUD 0.9964

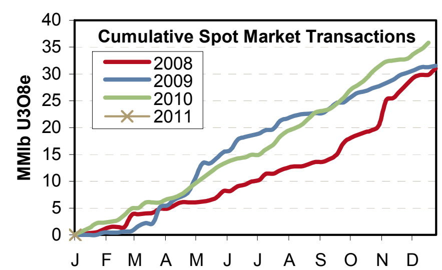
1 Uranium One displayed as proforma ARMZ/MRL deal

Uranium Macro

(MMlb U3O8e)	2009	2010	2011	2012	2013	2014	2015
Mine Production	132	137	137	142	153	171	182
FSU / HEU Supply	36	33	29	29	29	9	9
USEC Supply	5	5	5	4	3	3	2
Recycling / Other	11	12	10	9	10	12	12
Total Supply	184	186	180	184	196	194	205
Forecasted Demand	184	187	182	193	204	204	217
Supply - Demand	**(0)**	**(1)**	**(2)**	**(9)**	**(9)**	**(10)**	**(12)**

UxC Current Spot ($/lb): $62.50





Source: Cormark Securities

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Recommendation Terminology

Cormark's recommendation terminology is as follows:

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

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

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

Analyst Certification

We, Mike Kozak and Josh Perelman, 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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