RAYMOND JAMES

Canada Research
Published by Raymond James Ltd.

Mining & Natural Resources

July 26, 2012

Industry Report

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Mining | Uranium

Beat the (Atomic) Clock - Uranium Supply Crunch and Critical Catalysts on the Horizon

We have strong conviction that compelling supply-demand fundamentals and near-term industry catalysts will spark a recovery in deflated uranium prices and reverse the recent downward trend in equity valuations. These potential catalysts include (i) resumption of Chinese newbuild approvals by year-end 2012; (ii) further restarts of Japanese reactors in early-2013; (iii) and end of the Russian HEU supply agreement in December 2013. In 2014 and beyond, we believe fewer 'low hanging fruit' deposits, higher incentive costs, and a three-year supply deficit (2014E – 2016E) should push uranium prices north of US$70/lb (vs. US$50.15/lb today).

We are resuming research on the uranium space with coverage of three producers: Cameco (CCO-TSX), Paladin Energy (PDN-TSX), and Uranium One (UUU-TSX); two juniors: Denison Mines (DML-TSX) and Ur-Energy (URE-TSX) and one fund, Uranium Participation (U-TSX). Our preferred names in the space are Uranium Participation and Cameco, and for more risk-tolerant investors, Ur-Energy. We also highlight Uranium One, which has the highest leverage to spot prices of the group.

- **Cameco – Still Bellwether of the Space.** *Outperform, $28.00 target.* Cameco is the industry leader – a top producer, with an unrivaled asset portfolio in low-risk jurisdictions; attractive cash costs; a rock-solid balance sheet; vertical integration and a near-term game-changer: start-up of its mammoth Cigar Lake mine (expected 4Q13). Our main concern is muted earnings growth over the next few years (-3.3% CAGR 2013E – 2015E), but ~$4 bln in available capital suggests M&A could be a solution.
- **Denison – Explorer Again, with a Takeout Premium.** *Market Perform, $1.80 target.* Following the sale of its US assets to Energy Fuels, Denison has returned to explorer status. Strategic Canadian assets – including Wheeler River, which has world class upside, in our view – make Denison a top takeout candidate. That said, we are cautious on limited visibility at secondary projects (McClean, Midwest, Zambia) and potentially challenging financing in the current market environment for juniors.
- **Paladin – Turning the Corner.** *Outperform, $1.80 target.* Following two years of inconsistent performance, Paladin's two mines have finally turned the corner and are flirting with nameplate production rates. Impressive FY2013 guidance (8.0 Mlbs – 8.5 Mlbs, implying 16% – 23% y/y) and cost-cutting measures should add comfort on Paladin's ability to service its nearly US$1 bln debt burden and spark a rebound in the share price. The return of a takeover premium is also likely – Paladin is still the largest producer without a strategic corporate partner.
- **Ur-Energy – The Wait is Over: Production Next Year.** *Strong Buy, $1.50 target.* Minimal uncovered funding requirements, lowest quartile cash costs, and an excellent jurisdiction (Wyoming) highlight Ur-Energy's flagship Lost Creek project. Only one permit needed for construction remains outstanding (expected 3Q12E), yet the company trades at only 0.33x P/NAV – by far, the lowest in our coverage universe.
- **Uranium One – Fast Growing, Low Cost Producer.** *Outperform, $3.60 target.* Uranium One has the lowest cash costs of the major producers and aggressive ramp-up plans for its Kazakh-dominated asset portfolio. High spot price leverage should bolster commensurate earnings growth. A critical question facing the company is whether to proceed with acquiring the remainder of Mantra (and its Mkuju River project) from ARMZ in June 2013. We see the acquisition as costly.
- **Uranium Participation – Low Risk, Undervalued Fund.** *Strong Buy, $8.00 target*. The world's only uranium fund offers pure-play exposure to any rebound in spot prices, with minimal operational risk. Uranium Participation holds 13.4 Mlbs U3O8-equivalent and is trading at just 0.87x P/NAV.

Company	Ticker Primary	Ticker Secondary	Current Price	Target Price (6-12 months)	Dividend Yield	Total Return To Target	Rating
Uranium							
Cameco Corp.	CCO-TSX	CCJ-NYSE	C$22.34	C$28.00	2%	25%	Outperform 2
Denison Mines Corp.	DML-TSX	DNN-AMEX	C$1.33	C$1.80	nm	35%	Market Perform 3
Paladin Energy	PDN-TSX	PDN-ASX	C$1.12	C$1.80	nm	42%	Outperform 2
Ur-Energy Inc.	URE-TSX	URG-AMEX	C$0.67	C$1.50	nm	124%	Strong Buy 1
Uranium One Inc.	UUU-TSX	UUU-JSE	C$2.46	C$3.60	nm	46%	Outperform 2
Uranium Participation Corporation	U-TSX		C$5.78	C$8.00	nm	38%	Strong Buy 1

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Table of Contents

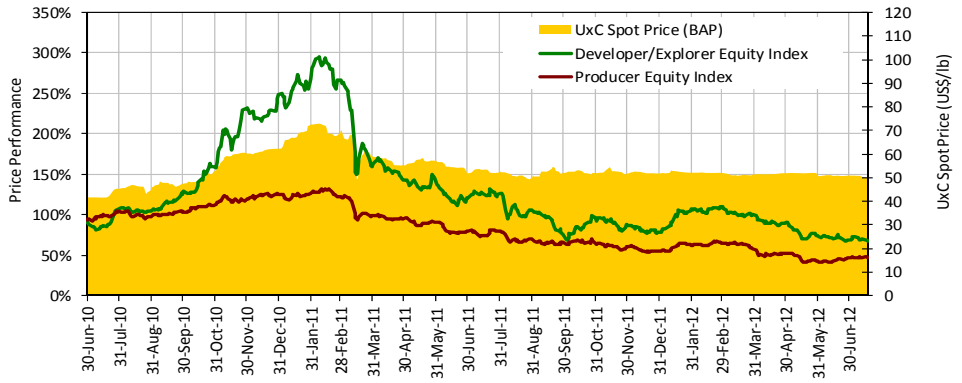
Timing is Key

Recent Equity Performance

Since the March 2011 Fukushima accident, many physical uranium buyers have stepped away from the market given uncertainty surrounding the availability of supply (particularly in Japan). Accordingly, over the past eight months, transaction volumes have been weak and spot prices have held steady in the US$50/lb – US$52/lb range (US$60/lb – US$63/lb LT). Though spot seems to have found a post-Fukushima floor, the equities have continued to drift lower, despite a historically tight correlation, with only a short rally during January/February 2012 (see Exhibit 1). As discussed on the following pages, we expect the downward trend in equity valuations to reverse in 2H12E, as several industry catalysts spark additional demand.

Equity valuations have drifted lower recently – we expect this trend to reverse in 2H12E

Exhibit 1: 2-Year Price Performance of RJL Uranium Developer/Explorer and Producer Indices vs. UxC's Spot Price

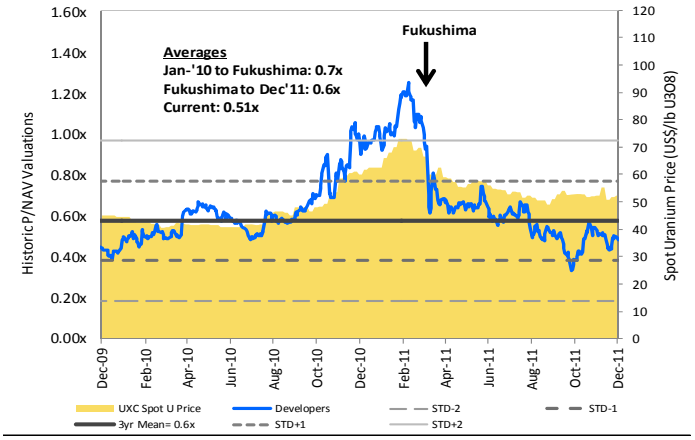


Source: Raymond James Ltd., Thomson One, UxC

Uranium equities have historically traded at premium multiples vs. other metals, given uranium's strategic nature, scarcity of investible equities, and significant barriers to entry, as well as highly price inelastic demand. However, P/NAV multiples have compressed significantly in recent months, with our covered producer group trading at 0.83x and developer/explorers currently trading at 0.51x. For reference, our historic producers, consisting of Cameco, Paladin and Uranium One, averaged 1.33x from January 2010 to Fukushima (March 11, 2011), while developers Denison Mines, Ur-Energy, and Strathmore Minerals averaged 0.71x over the same period (see Exhibits 2 and 3).

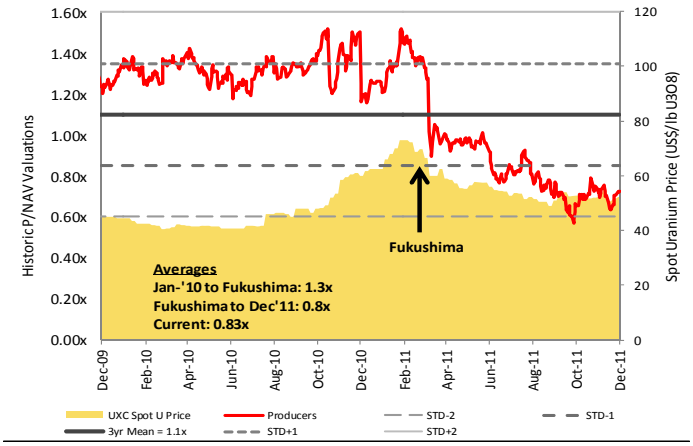
Producers are trading at 0.83x (vs. 1.33x historic); developers are trading at 0.51x (vs. 0.71x historic)

Exhibit 2: RJL Developer Historic P/NAV Multiples



Source: Raymond James Ltd., UxC, Thomson One

Exhibit 3: RJL Producer Historic P/NAV Multiples



Source: Raymond James Ltd., UxC, Thomson One

Industry Catalysts

Investors should own positions in uranium equities ahead of a potential sector rebound in the latter half of 2012 and into 2013. Our long-standing positive outlook on uranium supply-demand fundamentals remains intact, as outlined in the 'Uranium Market Outlook' section later in this report. Our recommended timing for investment is also underpinned by depressed valuations, seasonality and, most importantly, key industry catalysts:

Resumption of Chinese Government Approvals for New Reactors. On March 16, 2011, China revealed that it had paused nuclear power development in order to inspect its plants and review safety protocols. Work on the 26 reactors that were already under construction was allowed to continue, but approvals for new reactors were halted. After 14 months, China announced on May 31, 2012 that it reached a positive conclusion to its assessment and, in a meeting chaired by Premier Wen Jiabao, gave preliminary approval to a new nuclear safety plan.

We expect China to resume approving new reactor projects by year-end

We believe this paves the way for China's government to resume approvals of new reactor projects by year-end 2012. The restart in permitting should bolster confidence in China's planned aggressive ramp-up and spur Chinese utilities to resume buying in large quantities (imports were 31.5 Mlbs U3O8e in 2011A, -18% y/y). Recall, China remains by far the largest source of future growth, with 197 reactors either under construction or planned/potential (vs. 433 units currently installed worldwide).

The Jiabao meeting also set installed capacity goals as part of a "Vision 2020" plan, but specifics have yet to be released. We forecast China will reach 70 GW installed by 2020E (from 12 GW now; 8-year CAGR of 25%). This estimate reflects the likely slower and more measured post-Fukushima approach to licensing and construction (from the brisk approval pace of 8 – 10 units/year in 2008 – 2010) and an under-staffed industry (Don Hoffman, president of US utility Excel, stated China has 25% the number of experts it will need in 2020E). This has not stopped the industry from preparing: CGNPC's US$2.2 bln acquisition of Extract Resources and its massive, 513 Mlbs Husab project in late-2011; a stated intention to import more uranium this year than last and to acquire more mines (China Daily, citing deputy director of the National Energy Administration in March 2012); and state-owned utility CNNC's plans for an IPO to help finance five nuclear projects worth US$27.2 bln (The Wall Street Journal, June 6, 2012).

We project 70 GW of installed capacity in China by 2020E – globally, the largest source of uranium demand growth

Further Restarts of Japanese Reactors. In March 2011, Japan shut down 11 reactors immediately and kept the remaining offline (to run stress tests) as they were switched off for regularly scheduled maintenance. All 50 operable reactors were offline until Kansai Electric's Ohi number 3 and 4 reactors were fast-tracked. Without Ohi 3 and 4, Japan's government projected black-outs in the country's most nuclear-reliant industrial area, Osaka and Kyoto, during peak summer demand.

We believe further restarts are very likely for several reasons: (i) precedence: restarts at Ohi may soften local opposition, the main hurdle for other reactors; (ii) economics: without nuclear supplying the usual level of 30% of electricity requirements, Japan spends a reported ~US$100 mln/day on fossil fuel imports – in part leading to the country's first annual trade deficit in over three decades (US$54 bln in 2011) – and the government projects the economy could shrink 5% by 2030; (iii) safety: the Japanese Atomic Industry Forum projects a country-wide 12% electricity shortage this summer without restarts and four utilities are projecting blackouts during July – September; (iv) environment: World Nuclear News (WNN) states fossil fuel replacement energy has pushed carbon emissions 14% above 1990 levels; (v) operators' confidence: steps taken by the reactor operators suggest they are very confident more reboots are on the horizon.

After Ohi, the next Japanese reactors could restart in early 2013E

Cameco, Uranium One, and Kazatomprom have each stated their Japanese customers are continuing to take deliveries of uranium, albeit, with some deferrals. Cameco, a significant supplier to Japan (17% of Cameco's future sales, as of late-2011), stated Japan's utilities continue to participate in funding for mine development and exploration, are upgrading their power plants, and have turned down offers to purchase their inventories – to the contrary, Cameco stated on its 1Q12 conference call that some utilities were actually looking to acquire *more* uranium.

These restarts should benefit uranium prices in the near-term, by reducing the perceived likelihood of Japanese inventory selling

With these factors in mind, we are looking for the next batch of reactors in Japan to resume operations in early 2013E, once their stress test results have been accepted (likely a few months after the establishment of the new nuclear regulator in September 2012E) and local approvals secured. We believe uranium prices should benefit from these restarts given the reduced likelihood of inventory selling; we estimate Japanese utilities cumulatively hold one of the largest commercial uranium inventories globally, given a conservative mentality of safeguarding against supply disruptions, coupled with the third largest reactor fleet in the world. With future operations of reactors up in the air, this material has been somewhat of an overhang in the market as, according to UxC and others, many buyers were holding off on purchases to see if this uranium was going to become available. Restarts could remove the overhang, supporting prices in the near-term.

We expect most Japanese reactors back online by 2017E

Further out, we believe most of Japan's reactors will start-up by 2017E. However, by the late-2020s, nuclear's share of Japan's energy mix will likely settle towards 15% (low-30s GW). Our forecast reflects reports of the country's new energy plan (Reuters, May 25, 2011) and US EIA's latest forecast for Japanese electricity generation growth (September 2011).

The Russian HEU Agreement, 13% of global supply in 2011A, ends in 2013 – utilities will have to rely more heavily on traditional sources to meet their needs

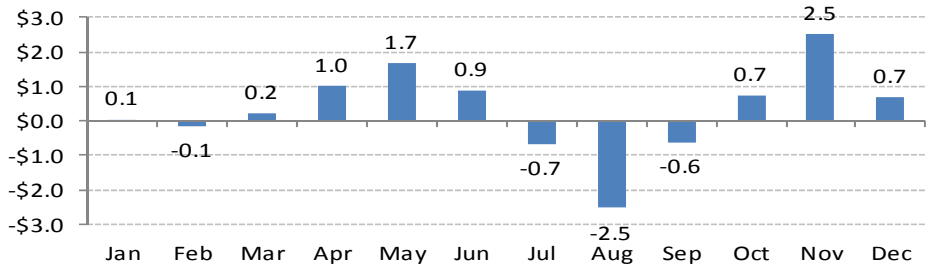
Expiry of the Russian HEU Supply Agreement. Signed in 1993, the Russian HEU Commercial Agreement (or "Megatons to Megawatts"), is a 20-year deal to down-blend 500 t of highly-enriched uranium (HEU) from Russian warheads into ~400 Mlbs U3O8-equivalent for use in reactors in the US and Europe. This deal ends in December 2013E and the Russian government has repeatedly stated it has no interest in an extension. In 2011A, this HEU-derived material comprised ~13% of 2011A total global uranium supply, and was heavily relied upon to bridge the gap between mine supply (~138 Mlbs) and total demand (~184 Mlbs). Once the deal ends, utilities will have to look at more traditional sources (e.g. long-term contracts with producers or the spot market) to shore up their future needs, which should put upward pressure on prices. We expect a market response in advance of expiry of the agreement, which is scheduled for year-end 2013.

Seasonality

Uranium prices have historically rallied in the fall

Historically, the annual World Nuclear Association (WNA) Symposium has been viewed as the kick-off to the uranium contracting season and often correlates with an uptick in uranium transaction volumes and prices, following the softer summer 'doldrums' (see Exhibit 4). This year's conference will be held September 12 – 14 in London, UK.

Exhibit 4: Monthly Average Spot Price Changes (Jan-02-current; absolute terms, US$)



Source: Raymond James Ltd., UxC

Company Snapshots

Exhibit 5: Summary Comparison of our Target Valuation Metrics

						Target Metrics						Current Metrics	
Ticker	Company	Price	Rating	Target	Return	Weighting	P/NAV	NAVPS	Weighting	P/CF	CFPS '13E	P/NAV	P/CF '13E
CCO	Cameco	22.34	Outperform 2	28.00	25%	50%	1.3x	19.50	50%	14x	2.26	1.1x	10x
DML	Denison	1.33	Market Perform 3	1.80	35%	100%	0.9x	1.95	0%	nm	-0.04	0.7x	nm
PDN	Paladin	1.12	Outperform 2	1.80	61%	100%	1.0x	1.79	0%	nm	0.07	0.6x	15x
URE	Ur-Energy	0.67	Strong Buy 1	1.50	124%	100%	0.7x	2.02	0%	nm	-0.05	0.3x	nm
UUU	Uranium One	2.46	Outperform 2	3.60	46%	50%	1.0x	3.43	50%	10x	0.35	0.7x	7x
U	Uranium Participation	5.78	Strong Buy 1	8.00	38%	100%	1.0x	8.00	0%	nm	-0.03	0.9x*	nm

*Note: Our current P/NAV for U is calculated using our current NAVPS of C$6.66, not our target NAVPS of C$8.00

Source: Raymond James Ltd.

CCO – world's top publically-listed producer, with good growth in safe jurisdictions

We are resuming coverage of Cameco (CCO) with an Outperform rating and $28.00 target. We view Cameco as one of the lower risk ways to gain exposure to the uranium space, with an industry-best balance sheet, top producer status, low cash costs, low geopolitical risk jurisdictions, and diversification within the supply chain via its vertically-integrated businesses. The company is entering a critical phase, with expiry of the HEU agreement spelling an end to the annual receipt of ~7.0 Mlbs in low cost material. Though we anticipate a healthy ramp-up in organic production, we see flat medium-term growth in sales/earnings and would not be surprised by near-term M&A. We estimate the company has over C$4 bln available in working capital, lines of credit, and a recent C$1 bln shelf. Our target is based on a 50/50 weighting of (i) 1.3x P/NAV applied to the project component of our C$19.50 NAVPS (8%) and (ii) 14x P/CF and our C$2.26 2013E CFPS.

DML – financing risk and limited visibility to production offset strong exploration upside and takeout potential

We are resuming coverage of Denison Mines (DML) with a $1.80 target and Market Perform rating. Denison's main focus is its Wheeler River exploration project, which boasts excellent exploration upside, high-grades at mineable depths, in elephant country – the eastern side of Saskatchewan's Athabasca Basin. The project still requires further drilling success to reach critical mass, in our view. We are cautious on the name, given financing risk in the current environment for cash-burning juniors, as well as limited visibility on production, costs, and timing at the company's other projects. That said, we view Denison as one of the most compelling takeout candidates in the uranium space – which could help Rio Tinto expand its presence in the region, or allow Cameco to protect its dominant land and mill position. The recent sale of Denison's US assets also makes any acquisition cleaner, in our view. Our target is based on a 0.9x P/NAV applied to the project component of our C$1.95 NAVPS (8%).

PDN – faced struggles getting mines to nameplate, but operations have turned the corner; should add comfort on recently growing debt and boost takeout potential

We are resuming coverage of Paladin (PDN) with an Outperform rating and $1.80 target. Although production and costs have been inconsistent in the past two years (leading to some shareholder fatigue), we believe operations have finally turned the corner. Recent strong F4Q12A operational results, higher than expected guidance for FY2013 and on-going measures to lower costs should underpin an improved outlook on future performance, provide comfort on the company's ability to settle mounting debt, and spark a rebound in the share price. The return of Paladin's takeover premium is also likely, now that major hurdles are in the rear-view mirror and the company is still the only major producer without any large equity control blocks. Our target is based on a 1.0x P/NAV applied to the project component of our C$1.79 NAVPS (8%).

URE – developing a low cost mine in a safe jurisdiction, but trading at explorer valuations

We are resuming coverage of Ur-Energy (URE) with a $1.50 target and Strong Buy rating. Ur-Energy is focused on developing its state-of-the-art, 100%-owned Lost Creek (LC) ISL project in Wyoming, which features minimal capital costs, near-term start-up (2H13E), and potential lowest quartile cash costs within a low-risk, mining-friendly jurisdiction. The company trades at 0.33x – the lowest P/NAV in our coverage universe, but we believe as start-up approaches, the stock should begin to trade closer to the producer group average (0.83x); receipt of the last major permit required for

construction – the Plan of Operations from the US BLM (due 3Q12E) – could be a critical catalyst. The main hurdle for the company is the current mine plan's relatively small reserve and production rates, but growth is likely, given recent exploration momentum, high prospectivity of nearby ground and further potential M&A. Our target is based on a 0.7x P/NAV applied to the project component of our C$2.02 NAVPS (8%).

UUU – impressive, low cost growth likely to continue, even without remainder of Mkuju River

We are resuming coverage of Uranium One (UUU) with an Outperform rating and a $3.60 target. Uranium One is a top producer, owned 51.4% by Russia's ARMZ, with lowest quartile cash costs from its Kazakhstan-dominated ISL mine portfolio. Ramp-up plans are aggressive (24 Mlbs – 26 Mlbs/year at steady-state, implying +125% – 144% vs. 2011A), but largely achievable, in our view, as the company expands at current operations and diversifies into new jurisdictions. Expected earnings growth is equally impressive, bolstered by the highest exposure to spot prices amongst our covered producers. The critical question mark is Mkuju River, Tanzania, which comprises one-third of planned growth; our estimates suggest Uranium One may be better off foregoing its option to buy the remaining 86% interest from ARMZ, given significant external capital required to complete the deal and develop the project. The upcoming feasibility study (DFS; due 3Q12E) is a key catalyst, which should shed more light on the most important project parameters. Our target is based on 50/50 weighting of (i) 1.0x P/NAV applied to the project component of our C$3.43 NAVPS (8%) and (ii) 10x P/CF and our C$0.35 2013E CFPS.

UPC – physical fund trading at a 13% discount to NAV and implying a uranium price of only US$45/lb (vs. our 2013E forecast of US$63/lb)

We are resuming coverage of Uranium Participation (UPC) with an Outperform rating and $8.00 target. Uranium Participation is the world's only physical uranium fund, offering investors exposure to uranium prices with minimal operational risk. There are three primary reasons to invest in UPC: (i) UPC is trading at a 0.87x P/NAV and implying a value of US$44.55/lb for its 13.4 Mlbs U3O8e inventory (vs. spot at US$50.15/lb); (ii) we are bullish on uranium prices moving forward – our 4Q12E, 2013E and 2014E prices are US$56/lb, US$63/lb, and US$73/lb, respectively; (iii) we view takeout potential as high – we believe many market participants could benefit from acquiring UPC at current levels. We derive our target by valuing UPC's current inventory at our 2013E uranium forecast of US$63/lb, net of current assets and liabilities.

Uranium Market Outlook

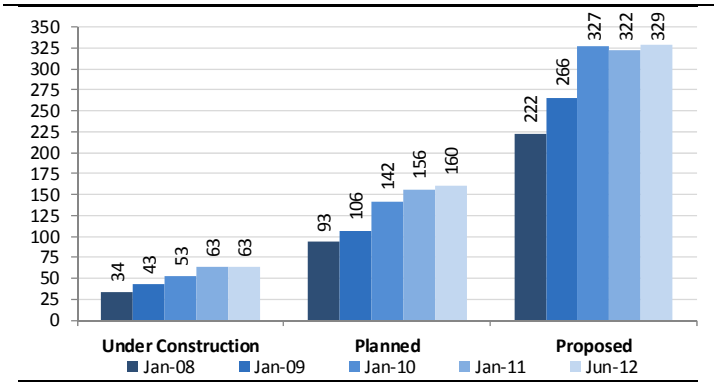
Overview

Despite some negative headlines, the post-Fukushima outlook for nuclear is strong on the back of growth in Asia and the Middle East

Demand Resilient in the East. The events at Japan's Fukushima Daiichi nuclear plant in March 2011 had a pronounced effect on the uranium industry that is sure to be long-lasting. A few nuclear countries – most notably Germany and Japan – decided to phase-out or reduce nuclear as part of their energy mix, while a handful of other, non-nuclear states removed or deferred plans to pursue their first reactors. However, despite what appears to have been a loss of industry momentum, WNA's current estimate of planned and potential reactors is actually higher now than it was in April 2011, "pre-Fukushima" (489 vs. 478).

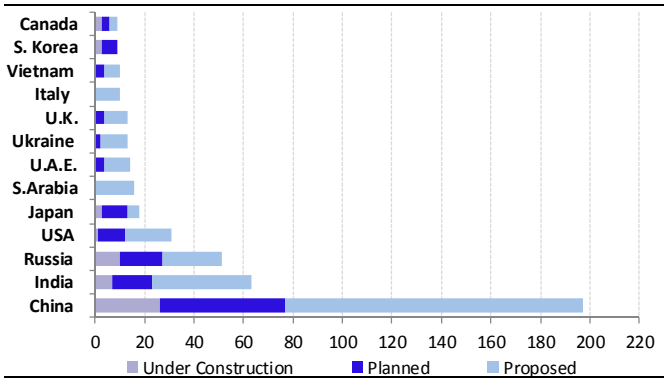
We believe the build-out of these units will be slower and more cautious than originally planned (good for the long-term health of the industry, in our view), but global demand for nuclear – particularly in Asia and the Middle East – remains resilient on ramping electricity demand, fossil fuel price volatility, energy supply security concerns, and few "green" alternatives to meet baseload requirements. We expect highest growth in Asia and the Middle East, where state-owned utilities, resolute despite Fukushima, more easily clear the up-front cost, public opinion, and regulatory hurdles facing newbuild than in much of the western world.

Exhibit 6: Reactor Counts (January 2008 to June 2012)



Source: Raymond James Ltd., WNA

Exhibit 7: Prospective Reactor Counts by Category (current)



Source: Raymond James Ltd., WNA

Supply, on the other hand, has been dealt a significant blow, with many project deferrals

Low Prices Have Delayed Projects. Fukushima's effect on uranium supply has been even more impactful. Although uranium prices seem to have found a firm base in the low-US$50s, uncertainty over the outlook for prices has been blamed, at least in part, for numerous deferrals or delays of significant, higher cost projects, including Areva's Trekkopje, Imouraren, Ryst Kuil, and Bakouma; Energy Resources of Australia's (ERA) Ranger heap leach expansion; BHP Billiton's (BHP) Olympic Dam expansion and Yeelirrie; and even top producer Kazatomprom said it plans to halt growth until prices recover. We estimate the majority of planned or potential new supply require prices in the upper-US$60s/lb or higher to incentivize positive production decisions.

Near-term Supply Growth Insufficient. Accordingly, prices today are simply too low to justify the financing risk of constructing new mines or expanding existing ones. This dampened outlook for new mines compounds a total supply curve that was already insufficient following years of under-investment in exploration and few major, high-grade discoveries, continued struggles at major operating mines (e.g., Ranger, Rossing, etc.) and a planned reduction in Russian secondary supplies in 2013E, with the expiry of the HEU agreement.

Outlook Bullish. We therefore remain decidedly bullish on the supply-demand fundamentals in the uranium space, projecting a three-year long deficit beginning in 2014E. Our supply-demand model reflects what we believe is the most likely scenario for the industry over the next 18 years. Below, we highlight several themes that are fluid in nature and difficult to forecast, but could have a meaningful effect (for better or for worse) on this outlook.

A looming three-year supply deficit underpins our bullish outlook on uranium prices

Supply-Demand Themes

Kazakh Supply Growth. Since the early 2000s, Kazakhstan has been the shining star of the uranium mining industry. From 2004A to 2011A, while primary supply in the rest of the world dropped by 7 Mlbs/year (to 88 Mlbs in 2011A), Kazakhstan's rose by 42 Mlbs/year (to 50 Mlbs) – a 29% CAGR. A critical question for future uranium prices is whether the country is able and willing to continue this growth. Comments from Kazakh officials in October 2011 and February 2012 suggest, at most, 52 Mlbs/year in 2012 (implying only 2 Mlbs/year more than 2011A) in order to support uranium prices. Kazatomprom CEO Vladimir Shkolnik, in seemingly contradictory fashion, still targets 65 Mlbs/year in 2015, implying 30% growth in three years. Regardless of how these comments are interpreted, producer discipline, challenging sulphuric acid logistics, and the lower grades, increasing depth and carbonate levels of new southern region deposits, each suggest the days of easy, meteoric production growth may be behind Kazakhstan. We bias towards the conservative, and model continued ramp-up in the country, including 54 Mlbs in 2012E and 57 Mlbs in 2013E, plateauing at 64 Mlbs/year by 2015E.

Kazakh growth has been meteoric, but similar increases in the future are doubtful

German Inventory Selling. In March 2011, Germany immediately shut down eight (8.4 GW) of its 17 operating nuclear reactors and made plans to shut the remaining nine (12.6 GW) by 2022. These units represented about 5% of global output and uranium consumption prior to Fukushima. We estimate the utilities hold ~9 Mlbs – 18 Mlbs in inventory (assuming WNA's burn rate in April 2011 and one to two years supply on hand). What will happen to this material? We see immediate market disposition of large amounts (and the consequent downward pressure on prices) as unlikely in the near-term. Utilities will still need ~4 Mlbs – 5 Mlbs/year to keep the remaining nine units running and may even hold out some hope that policy flips back; recall, Germany's nuclear policy has now switched between 'life extensions' and 'near/medium-term shutdowns' five times since 1986; the prospect of higher electricity prices has also spurred some industrial users (e.g., pharmaceutical giant Bayer) to consider relocating production. Our model reflects the government's current phase-out plan and we see a measured approach to inventory divestment as shutdowns loom in the latter half of the decade.

We expect German utilities to sit on the majority of their inventory for the next few years

Further Production Slips. We believe mine supply disruption will continue to be an important theme. The effect on prices cannot be understated, with events such as flooding at Cigar Lake in 2006 resulting, in part, to a doubling of the price that year (from US$36/lb to US$72/lb). More recently, three of the world's largest mines have missed guidance – Olympic Dam (shaft damage from accident), Ranger (flooding) and Rössing (flooding, disappointing grades) – and numerous smaller ones have disappointed on ramp-up rates and start-up timelines. As a result, global 2011A production was -1% y/y. Kazakhstan has been able to muffle the impact, but we now view further Kazakh growth as uncertain, as outlined above. With 53% of 2012E primary supply coming from only 10 mines, we see supply as highly centralized and vulnerable.

Slips in highly centralized mine supply could again play a key role in the direction of uranium prices

We view recent US DOE 'lifelines' to USEC as largely baked into current prices, but further uranium transfers are worth looking out for

DOE Dispositions. In recent months, one of the overhangs in the market has been the potential for the US Department of Energy (DOE) to make more of its stockpiles available to the United States Enrichment Corporation (USEC) in amounts that exceed current guidelines (10% of US reactor requirements, i.e. ~5Mlbs/year). The impetus is that USEC, an enricher and formerly a government entity, faced insolvency before year-end, putting jobs at risks. The debate on whether to save USEC has been politically-charged, with critics drawing analogies to government funding of Solyndra (the now bankrupt solar cell manufacturer, based in Fremont California).

In May 2012, two agreements emerged: (i) a complicated five-party deal where USEC indirectly receives 9,075 tU in DOE tails, re-enriches them at its Paducah plant, and sells the majority of 482 t of enriched uranium product (EUP) to the Tennessee Valley Authority (TVA) during 2015 – 2025; the deal is expected to save ~1,200 jobs at Paducah for one year (through June 2013); and (ii) increased maximum annual DOE UF6 transfers to 6.2 Mlbs (from 4.2 Mlbs), to pay for environmental decontamination at USEC's Paducah or Portsmouth plant sites. In May 2012, the DOE issued a Secretarial Determination that the amounts transferred would not have an adverse effect on the uranium market. The Uranium Producers of America (URA) and former DOE Secretary Spencer Abraham have objected to these findings, while two congressmen (Markey, D-MA; Burgess, R-TX) have called for a federal investigation into the support of USEC.

Our view is that current uranium prices already reflect the dispositions; however, if details become available that suggest an acceleration in transfers or worse yet, the 'uranium lifeline' extended to USEC is upsized, prices could suffer. In the Scenarios section of this report, we outline the impact of higher DOE transfers (20% of US requirements, going-forward) to our supply curve.

BHP's Olympic Dam Expansion and Yeelirrie could contribute 16% of global production by 2028E – a decision to shelve them would support prices

Fate of BHP's Australian Projects. BHP's proposed Olympic Dam (OD) expansion includes an open pit near the current underground mine that could ramp output to ~40 Mlbs – 42 Mlbs/year production by the mid-2020s (from 8.8 Mlbs in 2011A). BHP previously guided to a decision on the expansion in mid-2012. However, in early June 2012, CEO Kloppers stated it would halt approvals for all new projects as the company pondered how to allocate capital. The Board will meet by year-end to consider the project. One hurdle is that S. Australia's mines minister Tom Koutsantonis has refused to extend approval on the project if work does not begin by December 8, 2012.

Meanwhile, Yeelirrie, which BHP has said could produce 7.7 Mlbs/year, has progressed little since W. Australia was re-opened for uranium mining in November 2008. Environmental applications have been deferred and BHP recently stated it would only consider uranium as a by-product of production. We believe Yeelirrie is a world class asset, and a potential sale could lead to accelerated development, in our view. Conversely, the OD expansion (at a reported cost of ~US$30 bln) is a project only a small handful of major companies could consider (making its outlook more tenuous in our opinion). We include both Yeelirrie and the OD expansion projects in our model. Although far in the future, the size of these projects (we model 38 Mlbs in 2028E, or 16% globally) suggests that a decision to shelve them could have a large effect on future supply availability and prices.

We expect the recent trend of M&A to continue

Increased Consolidation. In the last 12 months, we have seen an increase in M&A activity (see Exhibit 8), including a bidding war between Rio Tinto and Cameco for Hathor (ultimately won by Rio), Chinese utility CGNPC's acquisition of Extract, and Energy Fuels' purchase of Denison's US operations. We believe this trend is likely to continue given current near-trough equity valuations; healthy balance sheets at many of the larger players (Cameco, Uranium One, state-owned utilities) and weak balance sheets at others (Areva, Paladin); ambitious nuclear build-out plans in Asia (and

commensurate uranium requirements) and a scarcity of high-quality projects, which could spur potential buyers to beat out others for prime assets. We highlight China's stated 2012 ambition to buy "uranium mines abroad, particularly in Canada" (China Daily, March 3, 2012) and Korean utility Kepco's plans to spend US$1.8 bln in 2012 on overseas nuclear plants and uranium mines (Bloomberg, April 2, 2012).

Exhibit 8: Highlighted Uranium Market M&A (March 2011-current)

Announced			Asset(s) Acquired				Cost	Term	Spot Price	Cost as %
Date	Buyer	Seller/Target	Name	U3O8 (Mlbs)	Grade (%)	Interest	US$/lb	US$/lb	US$/lb	of Spot
24-May-12	Energy Fuels	Denison Mines	U.S. Assets	26.6	0.03%	100%	$3.90	$60.00	$52.00	8%
23-Apr-12	Fission	Pitchstone	Shares (global assets)	4.1	0.23%	100%	$1.50	$60.00	$51.75	3%
2-Mar-12	Anglo	First Uranium	MWS	109.6**	0.01%	100%	$0.60	$60.00	$52.00	1%
2-Mar-12	Gold One International	First Uranium	Ezulwini mine	678.1**	0.18%	100%	$0.10	$60.00	$52.00	0%
2-Mar-12	Cameco	Areva	Millennium	18.9	3.80%	28%	$8.00	$60.00	$52.00	15%
1-Mar-12	URRE	Neutron Energy	Shares (New Mexico)	58.9	0.15%	100%	$0.60	$60.00	$52.00	1%
14-Feb-12	CGNPC	Extract	Shares (global assets)	512.9	0.04%	100%	$4.30	$61.00	$52.00	8%
23-Jan-12	UEC	Cue Resources	Shares (Yuty)	11.1	0.05%	100%	$0.80	$63.00	$52.50	2%
8-Dec-11	CGNPC	Kalahari	Shares (42.7% of Husab)	219.0	0.04%	100%	$4.50	$63.00	$52.25	9%
7-Dec-11	Tournigan Energy	Mawson	Hotagen, Duobblon, Nuottijärvi	15.4	0.04%	100%	$0.30	$63.00	$52.25	1%
17-Nov-11	Rio Tinto	Hathor	Shares (Roughrider)	57.9	11.59%*	100%	$10.60	$63.00	$55.25	19%
25-Oct-11	Energy Fuels	Titan Uranium	Shares (Sheep Mountain)	30.4	0.11%	100%	$0.80	$64.00	$51.75	2%
21-Mar-11	ARMZ/Uranium One (revised bid)	Mantra	Shares (Mkuju River)	101.4	0.04%	100%	$9.82	$73.00	$59.50	17%

*Material grading 11.59% comprises 94% of resource pounds; ** gold resources included and converted at RJL LT price of US$1200/oz

Source: Raymond James Ltd., Company Reports, Capital IQ

India has ambitious plans, but the current Nuclear Liability law is a major hurdle for foreign reactor vendors

Entry of India to Global Markets. India's nuclear plans are highly ambitious, with a 2032 nuclear capacity goal of 63 GW (vs. our 55 GW by 2030E), compared to just 4 GW today. With low expectations for domestic production, we anticipate India to be a large buyer in the coming years (3% of demand in 2012E – 2015E, rising to 5% in 2016E – 2020E); to date, they have been quiet, albeit, Cameco mentioned in their 1Q conference call that India was now active in the market, looking for material. One hurdle facing the build-out (and potentially, uranium buying) is the current Nuclear Liability law (2010) that leaves a loophole for suppliers to be sued by the operator, in the event of an accident. Until the law is brought in-line with international standards (which leave operators liable and indemnify suppliers), few foreign vendors are likely to sign commercial contracts, in our view.

Recent plans announced by Turkey, Saudi Arabia and the UAE more than offset post-Fukushima planned phase-outs

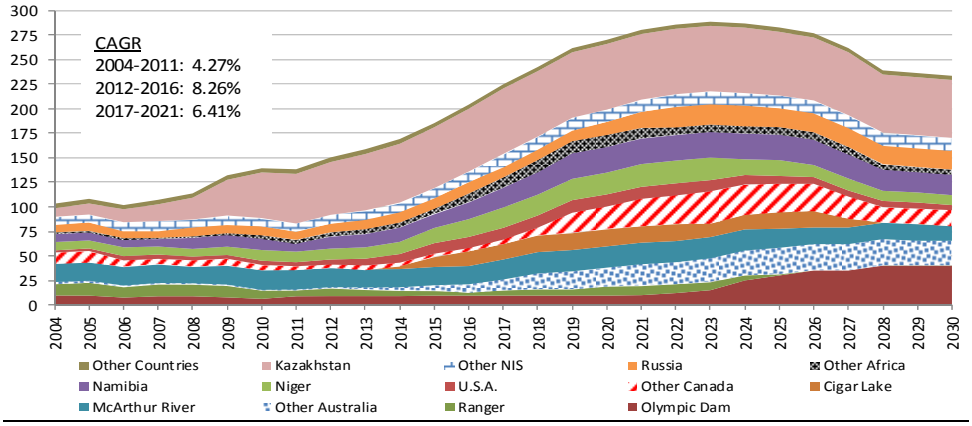
Emergence of the Middle East. In 2007, Middle Eastern countries cumulatively had five planned reactors and five proposed (World Nuclear Association data). These numbers have since skyrocketed to 12 planned and 48 proposed, with the emergence of Turkey, which aims to have "at least 23" reactors by 2023 (announced June 5, 2012); Saudi Arabia, which targets 16 units by 2030 (June 1, 2011) and the United Arab Emirates (UAE), which awarded a South Korean consortium a contract to build four reactors by 2020 and issued construction licenses last week. If realized, these Middle East units more than offset the planned phase-outs in Germany, Switzerland, and Belgium.

Mine Supply

Taking a Conservative Approach on Primary Supply. Exhibit 9 lays out our global mine supply through 2030E. Key assumptions include continued growth of Kazakh production beyond 2012E (to 67 Mlbs in 2017E), successful Cigar Lake start-up in 4Q13E, and green lights for the premier low-grade African projects (e.g., Imouraren, Mkuju River, Husab). In 2020E and beyond, the Olympic Dam expansion, Wheeler River, and Kiggavik-Sissons each push forward.

Our model reflects a conservative view on mine supply and includes several major high cost mines and expansions

Exhibit 9: RJL Global Mine Supply by Major Production Center (Mlbs/year)

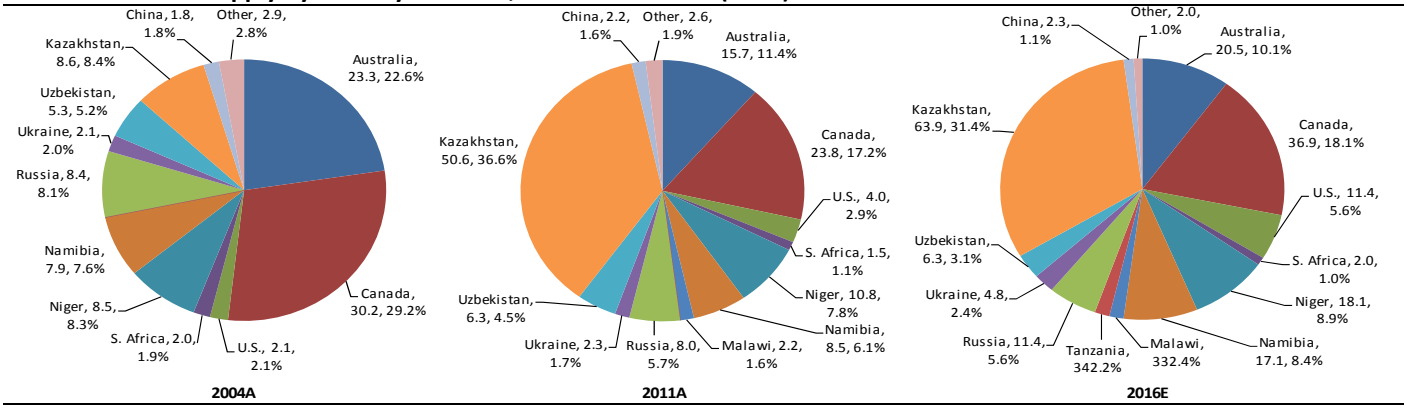


Source: Raymond James Ltd., UxC, WNA, NIW, Company Reports

Over the past 7 years, Kazakhstan has emerged as a dominant producer, while output from Canada and Australia has waned. We expect Kazakhstan to continue to be a significant growth region, but its share of the global supply mix to drop as African mines ramp-up and Canada and Australia rebound.

Kazakhstan should remain the dominant supplier, but emerging African and rebounding Australian and Canadian mines should capture market share

Exhibit 10: Global Supply by Country in 2004A, 2011A and 2016E (Mlbs)

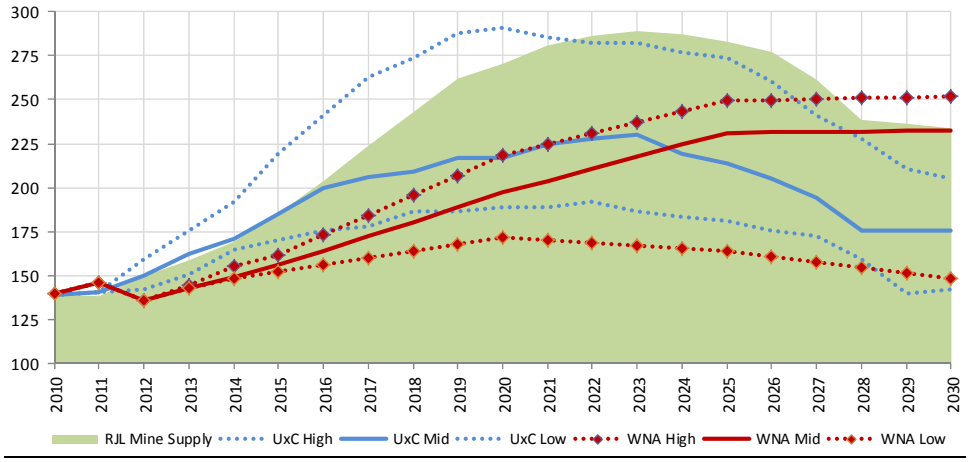


Source: Raymond James Ltd., UxC, WNA, NIW, Company Reports

More Conservative than Other Groups. Our supply forecast is well above (i.e., more conservative vis-à-vis prices) the reference scenarios from WNA (published September 2011) and UxC (1Q12) through 2030, above WNA's high scenario in the 2012 – 2027 period (before dipping below as mines deplete) and below UxC's high forecast until 2022, two years after UxC peak production in 2020.

Our mine supply curve is generally higher (i.e., more conservative vis-à-vis prices) than those of UxC and WNA

Exhibit 11: RJL Global Mine Supply vs. WNA and UxC Scenarios (Mlbs/year)



Source: Raymond James Ltd., UxC, WNA, NIW, Company Reports

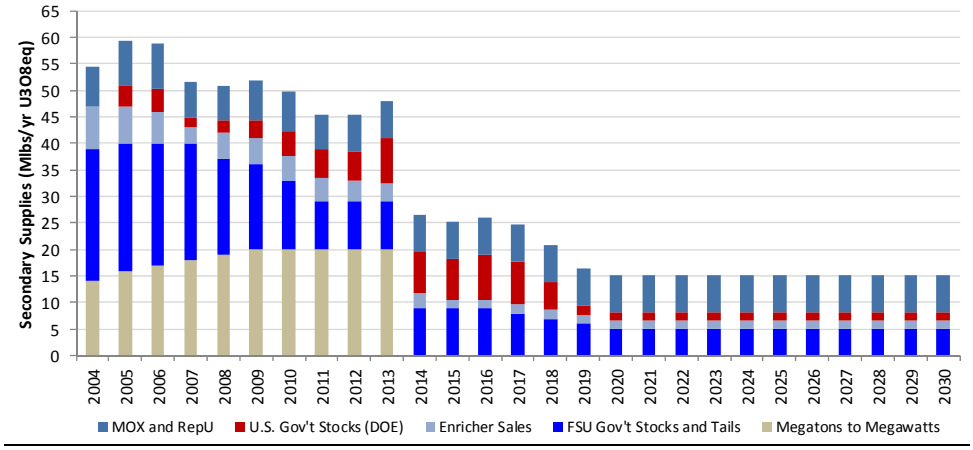
Secondary Supply

A Cliff Looms in 2013. Secondary sources, namely weapons-derived materials, excess commercial inventories, and recycled products, have historically made up the gap between primary mine supply and consumption. In recent years, this supply has totaled ~50Mlbs/year or ~25% – 30% of total utility requirements (see Exhibit 12). Since 1993, the largest component has been the Russian HEU Commercial Agreement, which is scheduled to come to an end in 2013E.

Expiry of the Russian HEU agreement in 2013 will remove 10% of total supply from the market

We model a 22 Mlbs drop y/y in 2014E, representing a 10% reduction in total supply (mine and secondary) as a result of the program's end. We include DOE's recently expanded transfer program for environmental clean-up (6.2 Mlbs/year), but pending further clarity, we exclude the five-party USEC deal from our model. Any impact from the arrangement is likely to be felt in the latter part of the decade and beyond.

Exhibit 12: RJL Global Secondary Supply (Mlbs/yr U3O8eq)



Source: Raymond James Ltd., UxC, WNA

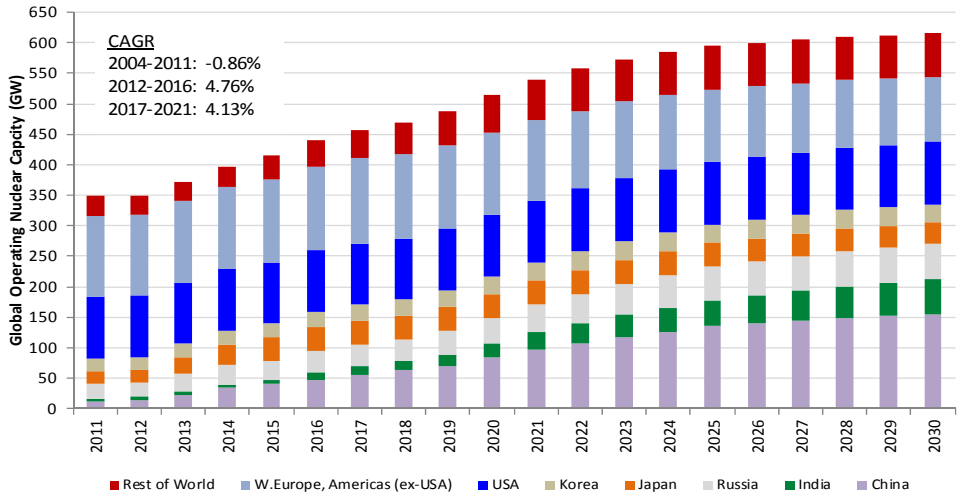
Demand

Reactor Demand Resilient in the East. Despite planned phase-outs in Germany (remaining nine units by 2022) and Belgium (extensions repealed; all seven units offline by 2025); reduced newbuild projections in Japan and Switzerland; and comprehensive safety reviews in China, France, US, and elsewhere, global demand for nuclear remains robust. We project capacity to reach 487 GW (570 reactors) by 2020E from 371 GW (433) today, with roughly 82% of reactor growth during this period coming from China, India, Russia,

Demand growth is still robust, with China, India, Russia and Korea comprising 82% of growth through 2020E

and Korea. Our numbers reflect 70 GW in China by 2020E, 55 GW in India by 2030E, a German phase-out by 2022E, roughly two-thirds of Japan's reactors back online by 2017E, and retirement of nearly 10% of current world installed units by 2020E (26% by 2030E). We remain conservative on the ambitious plans of emerging Middle Eastern states.

Exhibit 13: RJL Global Nuclear Capacity (GW)

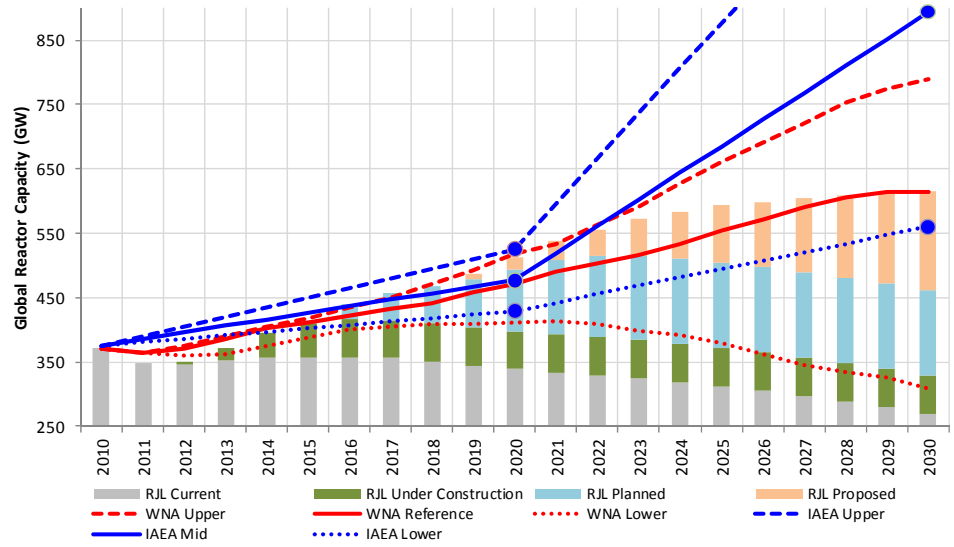


Source: Raymond James Ltd., UxC, WNA, NIW, Company Reports

Generally In-line with Other Forecasts. Exhibit 14 shows our forecast based on development category (currently operating, under construction, planned and proposed) through 2030E, relative to those from WNA and IAEA (September 2011). Our 2020E forecast of 514 GW is just below the upper scenarios from both organizations, but by 2030, our 615 GW projection is closest to WNA's reference scenario and IAEA's lower scenario.

Our reactor growth curve is closest to WNA's reference scenario

Exhibit 14: RJL Global Nuclear Capacity vs. WNA and IAEA Scenarios (GW)



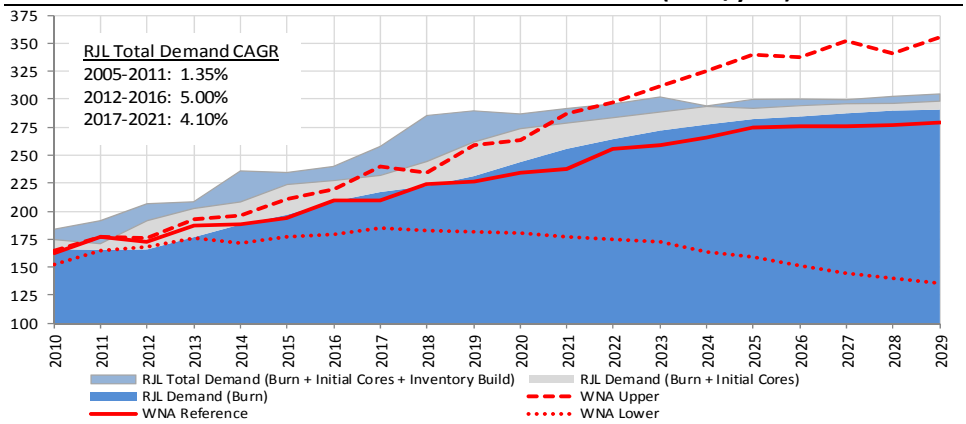
Source: Raymond James Ltd., UxC, WNA, IAEA, NIW, Company Reports

Consumption Assumptions. With respect to uranium consumption, Exhibit 15 outlines forecasts for burn rate (actual reactor consumption of uranium), burn rate + initial core (adds uranium required to 'seed' new reactors – typically amounting to 2x – 3x a typical reload) and 'total demand', which adds purchases to maintain utilities' strategic inventories, 1 – 3 years in advance of use. In-line with prevailing market prices for uranium and enrichment we assume 0.22% tails assay in all regions.

How does our forecasted uranium demand compare against other industry forecasts? Our projection is largely in-line with WNA's 'upper' scenario for the 2012 – 2020 period, and between the 'reference' and 'upper' scenarios for 2021 – 2030. It is important to note that WNA's forecast does not include strategic inventory building by nuclear utilities and is best compared to the RJL Demand (Burn + Initial Cores).

Through 2020E, our demand curve is similar to WNA's upper scenario

Exhibit 15: RJL Global Uranium Demand vs. WNA Scenarios (Mlbs/year)



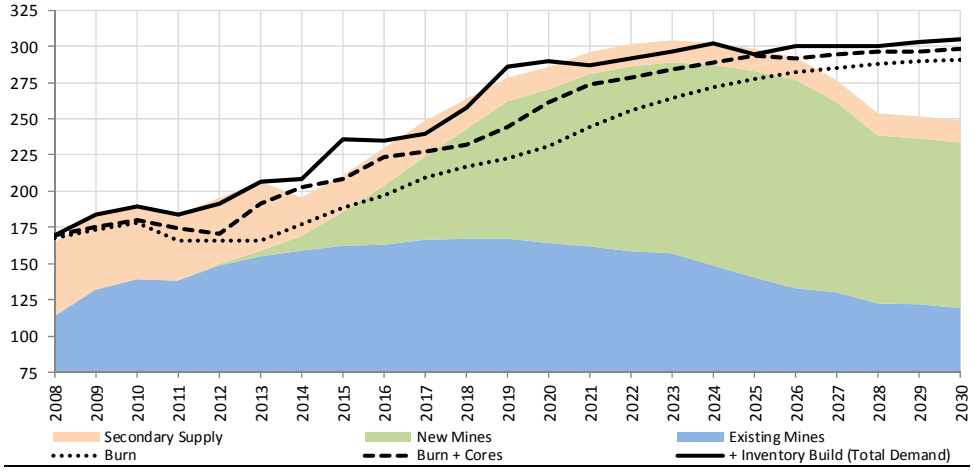
Source: Raymond James Ltd., WNA, Company Reports

Supply-Demand Balance

Three-year Deficit Starting in 2014E. We begin to see a deficit starting in 2014E and growing in 2015E as the HEU agreement expires. New mine supply, chiefly ramp-up at Cigar, but also Africa (Imouraren, Husab) and Australia (Yeelirrie, Ranger 3 Deeps), pushes the market back into near-balance for several years. Supply is less certain further out, but based on existing discoveries, we see new production getting outpaced by demand growth in Asia and leading to increasing supply deficits through the late 2020Es.

Asian growth, end of Russian HEU and insufficient primary supply growth lead to a three-year deficit starting in 2014E

Exhibit 16: RJL Global Uranium Supply vs. Demand (Mlbs/year)



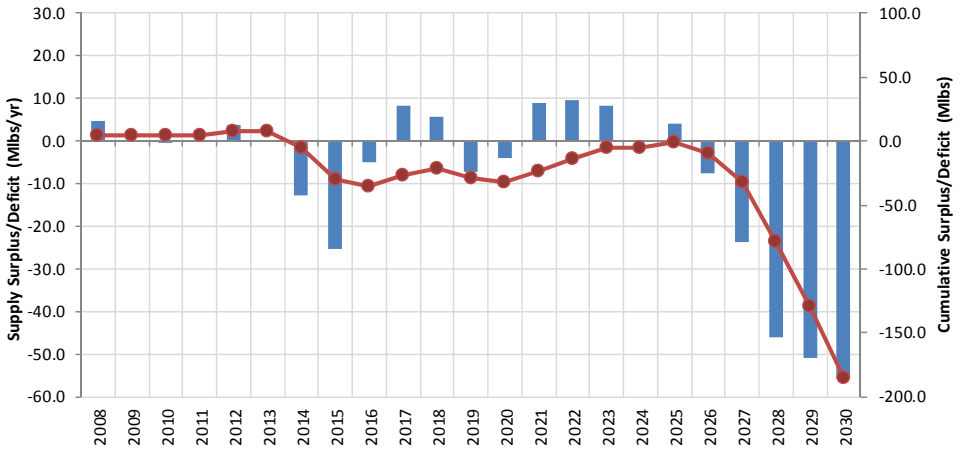
Source: Raymond James Ltd., UxC, WNA, NIW, Company Reports

Utilities Should Jump In. For the 2012 – 2020 period, we forecast a ~35 Mlbs cumulative deficit. Leading up to 2013, we believe end-users will have little trouble securing sufficient material via existing term contracts. However, as supply deficits loom in the 2014 – 2016 period, we believe utilities are likely to enter the market to ensure strategic inventories (1 to 3 years of forward requirements) are maintained. This may be accomplished via increased spot/term purchases or more expensive secondary means.

We believe utilities will increase contracting activity, supporting prices as this supply shortfall looms

Both of these solutions should support higher uranium prices. We remind readers that uranium demand is largely price inelastic, given the uranium component of fuel typically comprises ~10% of reactor operating costs (much less if including capital depreciation).

Exhibit 17: RJL Supply Surplus/Deficit (Mlbs/year)



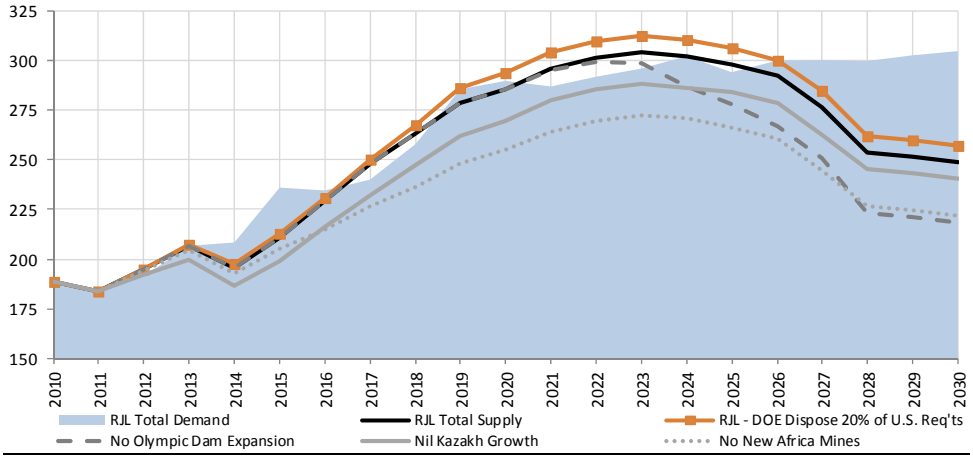
Source: Raymond James Ltd., UxC, WNA, NIW, Company Reports

Scenarios

Supply Scenarios. Our model reflects our view of the most likely growth curves for uranium supply and demand. We have also run scenarios assuming specific events occur or do not occur. Below, our reference total supply curve is compared against our model if we assume that DOE increases transfers to 20% of reactor requirements (~10 Mlbs/year) – i.e., a positive for supply. Also portrayed are three supply-negative scenarios: BHP does not pursue the Olympic Dam expansion; Kazakhstan maintains go-forward output at 2011A levels (50.6 Mlbs/year), and no new mines start-up in Africa, which are generally lower grade and of higher geopolitical risk than other regions. These scenarios are compared against our total demand curve in blue (recall, includes burn, new cores, and inventory build).

We see more downside risk to our total supply curve, which could support prices further

Exhibit 18: RJL Global Uranium Supply Scenarios vs. RJL Total Demand (Mlbs/yr)

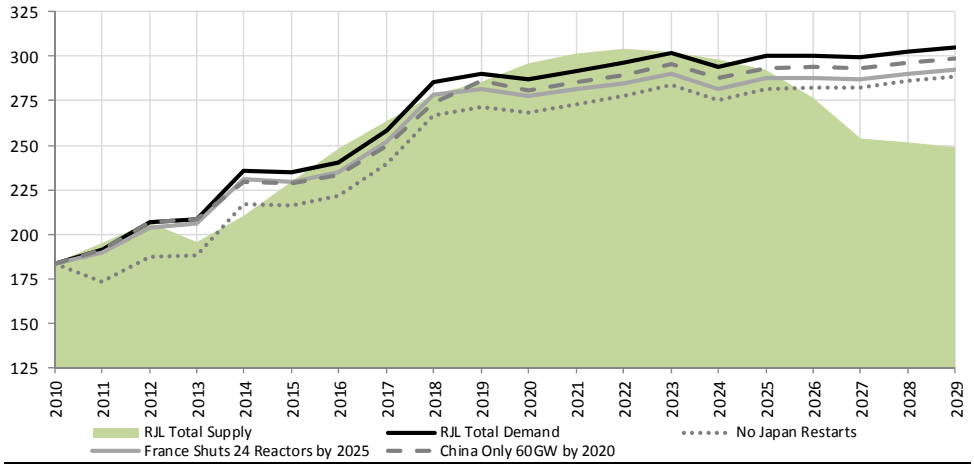


Source: Raymond James Ltd., UxC, WNA, NIW, Company Reports

Demand Scenarios. For demand, our scenarios assume no further restarts of reactors in Japan; a steady reduction of operating reactors in France to 34, from 58 currently; and an installed capacity of 60 GW in China by 2020 (vs. 70 GW in our reference model). Our France-related scenario reflects a pre-election pact that now-President Hollande made to garner support from the Green party (however, he appears to have backed-off this pledge after the Greens' poor voting results).

Punitive demand scenarios have less of an impact on the supply-demand balance

Exhibit 19: RJL Global Uranium Demand Scenarios vs. RJL Total Supply (Mlbs/year)



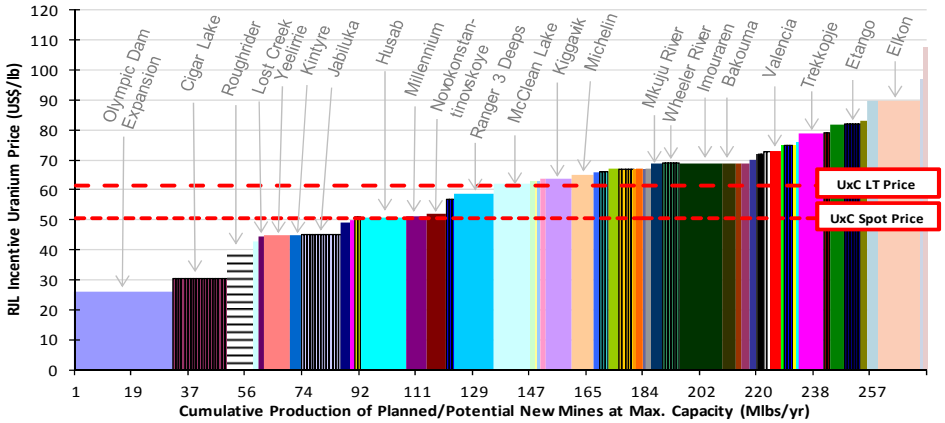
Source: Raymond James Ltd., UxC, WNA, NIW, Company Reports

Incentive Costs

We believe current spot and long-term uranium prices are below levels needed to incentivize positive production decisions on many projects that can currently be characterized as 'planned' or 'potential'. To illustrate this, we have calculated an "incentive cost" for all planned and potential mines that we are aware of, based on each project owner's public disclosures regarding opex, capex, royalties, taxes; industry data from UxC; and, and our macro-level view of industry cost inflation and return requirements (adjusted for geopolitical and other risks). In Exhibit 20, we have plotted these "incentive costs" against each mine's reported maximum capacity. As illustrated, approximately half of the potential output is above the current UxC LT prices. However, the majority of these projects are included in our supply model (underlining the conservatism of our reference, primary supply curve).

About half of new mines require prices above current LT prices to incentivize positive production decisions

Exhibit 20: Calculated "Incentive Costs" for Planned and Potential New Mines (US$/lb vs. Mlbs/year)



Note: "Incentive Costs" were calculated based on public disclosures regarding opex, capex, royalties, and taxes.

Source: Raymond James Ltd., UxC, NIW, Company Reports

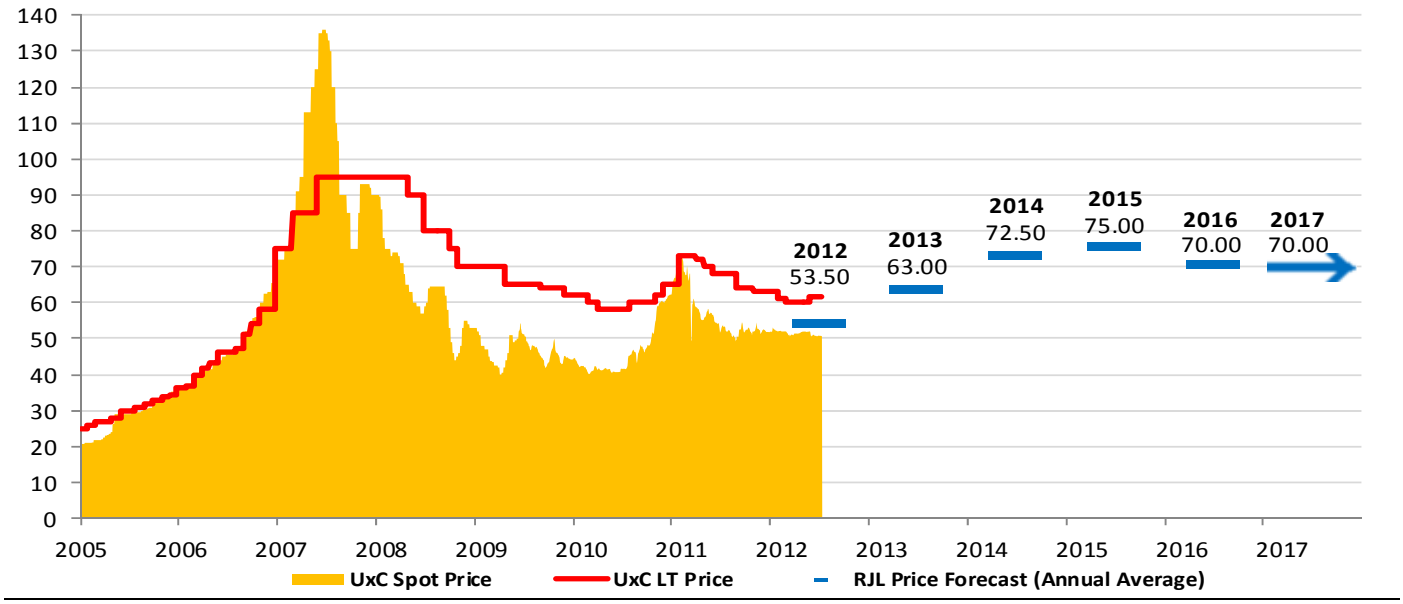
Projects worth noting include the low cost of the Olympic Dam expansion, given uranium is essentially a by-product of much more significant copper production; Jabiluka, though a significant deposit, is unlikely to start-up until the 2020s given challenges with traditional landowners; Husab is a near-certainty under Chinese ownership and likely to move forward irrespective of the direction of market prices; less clear is Trekkopje, with uncertainty surrounding the viability of a proposed heap leach of very low grade material and Areva's consequent focus elsewhere (and thus is not included in our supply model); and finally, state ownership and significant domestic newbuild plans compel us to include Russia's Elkon underground mine in our supply model, despite purportedly substantial up-front costs.

Uranium Price Deck

Prices to Increase through 2015E. Exhibit 21 shows historical uranium prices, as well as our go-forward forecasts through 2017E. Our price deck is substantiated by our view of (i) a three-year supply deficit, starting 2014E and peaking 2015E, two years post-expiry of Russian HEU supply and coincident (ii) ramping demand, particularly inventory buying and initial cores in China and India, and (iii) the higher prices required to incentivize new supply by the middle of the decade, as production growth at existing centres slows.

We see prices rising through 2015E (to US$75/lb) on three-years of insufficient supply and high incentive costs

Exhibit 21: UxC Uranium Prices and RJL Price Forecast (US$/lb)



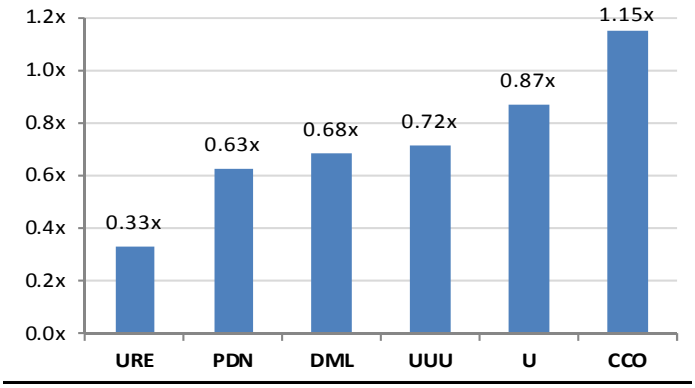
Source: Raymond James Ltd., UxC

Comparing our Covered Equities

Valuation Metrics

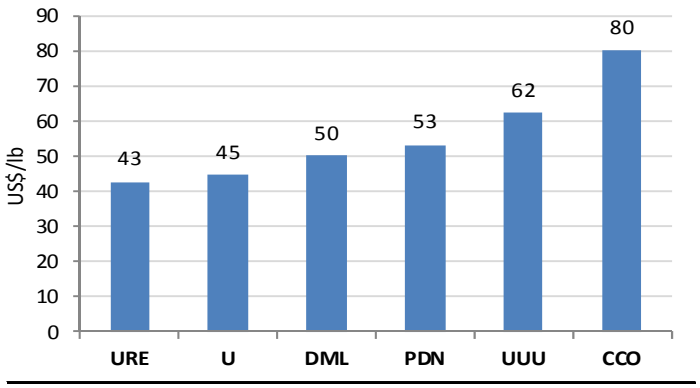
Amongst our producers, Cameco trades at a premium to its NAV (historically typical), while Paladin appears most discounted to its NAV, as well as on an implied price basis. The fund, UPC, is discounting a uranium price of US$44.55/lb (vs. current spot at US$50.15/lb). Also notable is Ur-Energy, which is heavily discounted at 0.33x NAV.

Exhibit 22: Current P/NAV Multiples (x)



Source: Raymond James Ltd., Company Reports

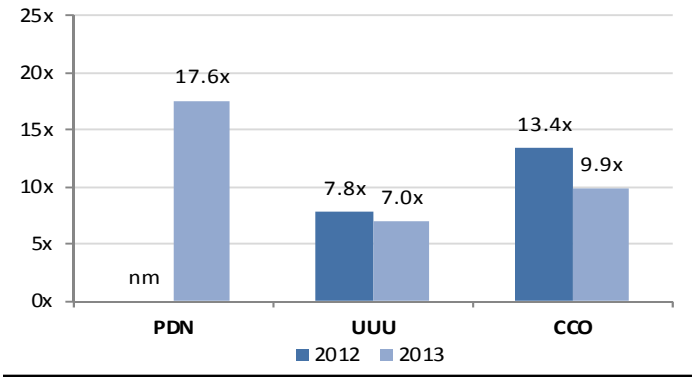
Exhibit 23: Implied Uranium Price (US$/lb)



Source: Raymond James Ltd., Company Reports

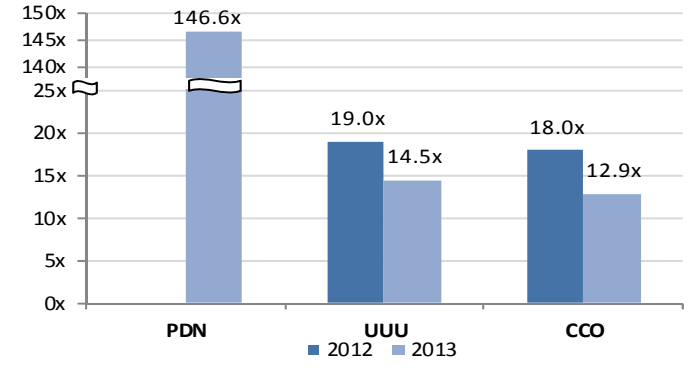
In terms of P/CF and P/E, Paladin has limited data due to negative operating cash flow and earnings. Cameco currently trades at a modest discount relative to Uranium One on an earnings basis, reflecting in our view its weaker near-term growth profile. On a cash flow basis, we see the situation as reversed, given significant depreciation is added back to Uranium One's earnings on account of high sustaining capital at its portfolio of ISL projects.

Exhibit 24: Current P/CF Multiples (x)



Source: Raymond James Ltd., Company Reports

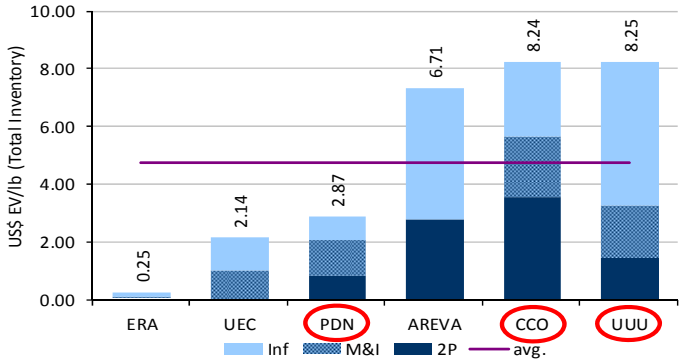
Exhibit 25: P/E Multiples (x)



Source: Raymond James Ltd., Company Reports

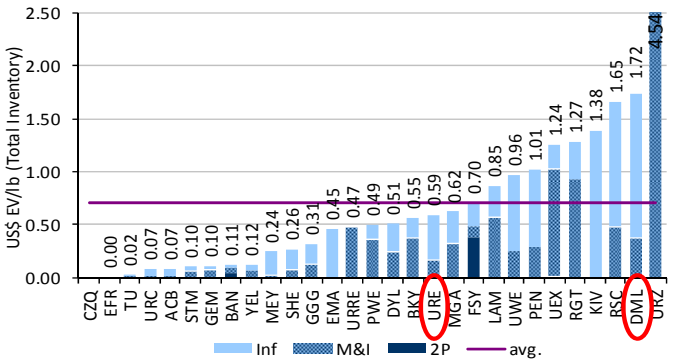
Per pound valuations vary widely. Uranium One trades at US$8.25/lb resources (vs. producer peers at US$4.74/lb) on strong production and earnings growth, low costs, and significant non-43-101 Russian resources, in our view. Meanwhile, Paladin's discount likely reflects high debt and recent operational struggles. Ur-Energy, at US$0.59/lb, is slightly discounted compared to the developer/explorers average at US$0.70/lb, while Denison, at US$1.72/lb trades at a premium, likely reflecting higher grades and high takeout potential. We do not currently use EV/lb as a valuation tool, but present current relative valuations for comparative purposes only.

Exhibit 26: US$EV/lb Resources - Global Producers



Source: Raymond James Ltd., Company Reports

Exhibit 27: US$EV/lb Resources - Global Developer/Explorers

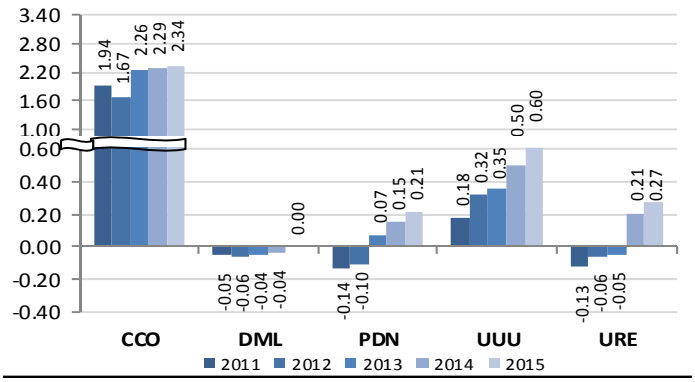


Source: Raymond James Ltd., Company Reports

Growth Metrics

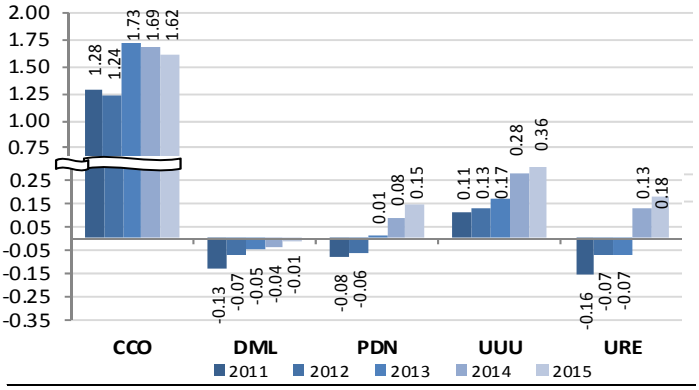
We forecast Paladin and Uranium One to have the best cash flow and earnings growth in the group, while Ur-Energy's bottom line should benefit from Lost Creek once it starts up in 2H13E. Cameco's flat earnings in the medium-term are a key overhang.

Exhibit 28: CFPS (2011A-2015E)



Source: Raymond James Ltd., Company Reports

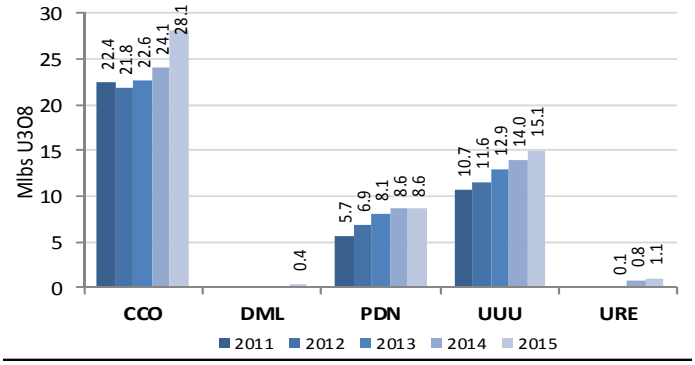
Exhibit 29: EPS (2011A-2015E)



Source: Raymond James Ltd., Company Reports

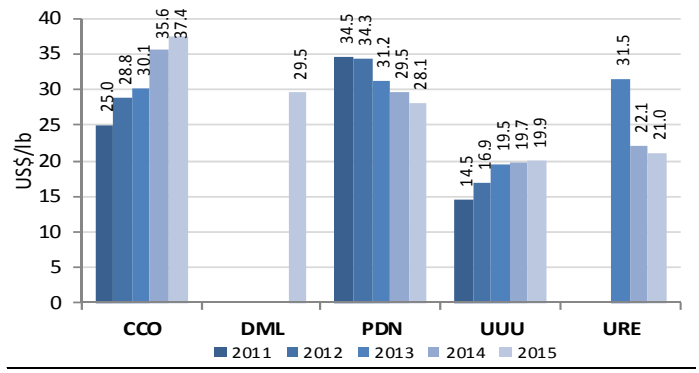
Each of our producers has strong production growth profiles, including Cameco with a four-year CAGR of 5.8%, Paladin at 10.8%, and Uranium One at 9.1%. On cash costs, we see Paladin optimizing over the next few years, while we believe Uranium One's costs should remain some of the lowest in the industry on efficient Kazakh ISL operations. Cameco's costs rise through 2015E on reduced sales of low cost Russian HEU and Cigar Lake start-up, but should return to ~US$31/lb in 2017E. Ur-Energy also impresses in the low-US$20s per lb once steady-state is reached.

Exhibit 30: Production Profile (2011A-2015E)



Source: Raymond James Ltd., Company Reports

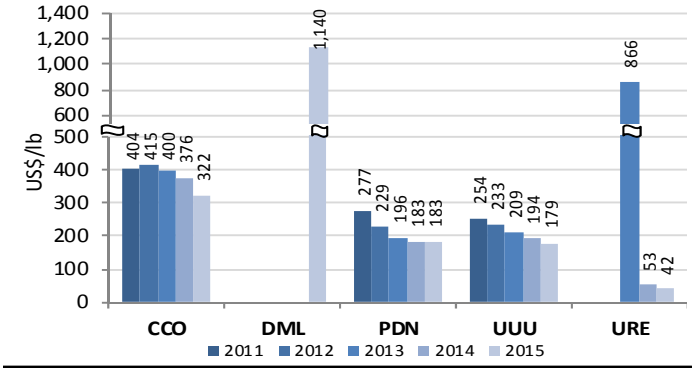
Exhibit 31: Cash Costs Profile (2011A-2015E)



Source: Raymond James Ltd., Company Reports

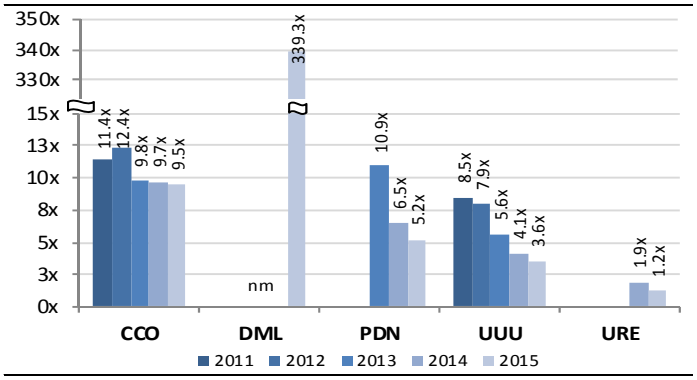
Our EV/lb production provides some insight on current market valuation of future production. Cameco's premium reflects, in part, significant steady output and contribution of other business arms. Paladin and Uranium One are fairly close, with Paladin receiving a slight discount over each of the next four years. Meanwhile Ur-Energy trades at only US$42/lb 2015E production – lowest of the group. On EV/EBITDA, Cameco's reliable cash flows and dominant market position justify a premium.

Exhibit 32: EV/lb Production (2011A-2015E)



Source: Raymond James Ltd., Company Reports

Exhibit 33: EV/EBITDA (2011A-2015E)

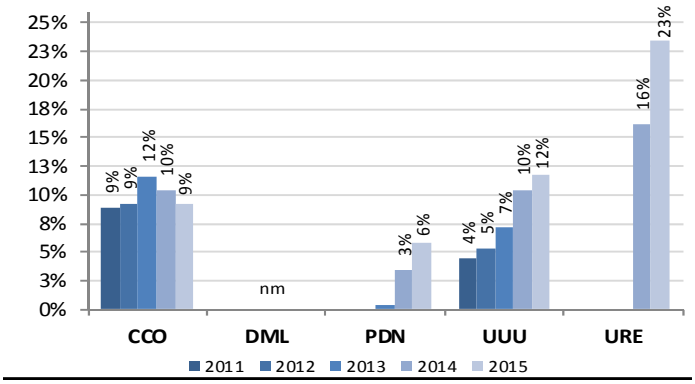


Source: Raymond James Ltd., Company Reports

Profitability Metrics

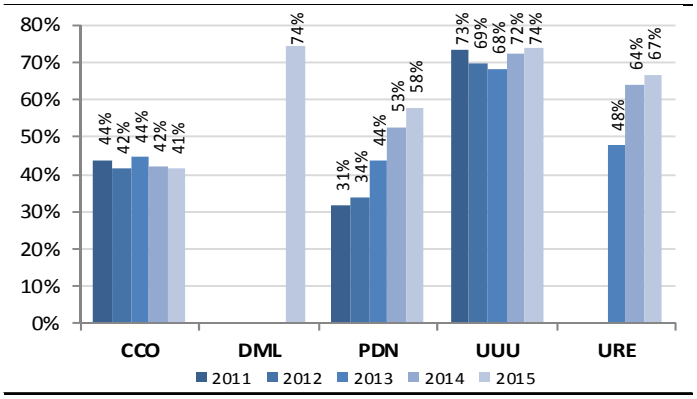
Uranium One's ramping ROE is a function of its earnings growth and increasing leverage. Paladin's rising margins stem from our view of improving cost control at Langer and Kayelekera – one of the main hurdles for the company moving forward. Uranium One maintains consistently high margins at its low cost ISL projects.

Exhibit 34: Return on Equity (2011A-2015E)



Source: Raymond James Ltd., Company Reports

Exhibit 35: Operating Margins (2011A-2015E)



Source: Raymond James Ltd., Company Reports

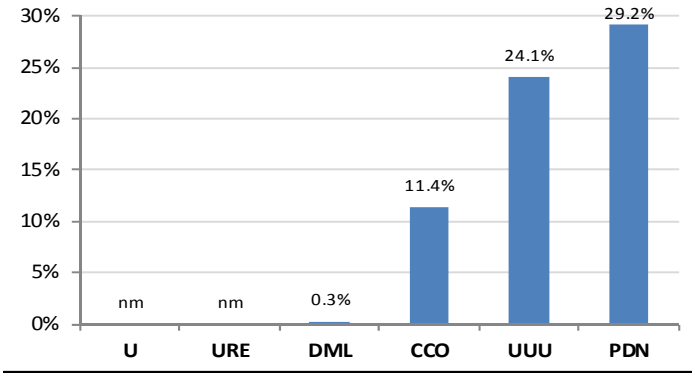
Financial Risk Metrics

We view Cameco as having the best balance sheet amongst our producers, with C$1.8 bln in working capital and zero future capital shortfalls. Paladin has significant debt (see below), and on Uranium One we model US$410 mln in additional debt to fund the purchase and development of Mkuju River project. We believe fund UPC can last ~3 years without an influx of new capital (assuming no other transactions), while we model a modest funding shortfall for Ur-Energy (C$14 mln) in 2013E. We also project a shortfall for Denison in 2013E – a more vulnerable position, given no significant near-term

revenues. Further out, Denison's external capital needs could rise further depending on the development timeline of its Canadian, Mongolian, and Zambian assets.

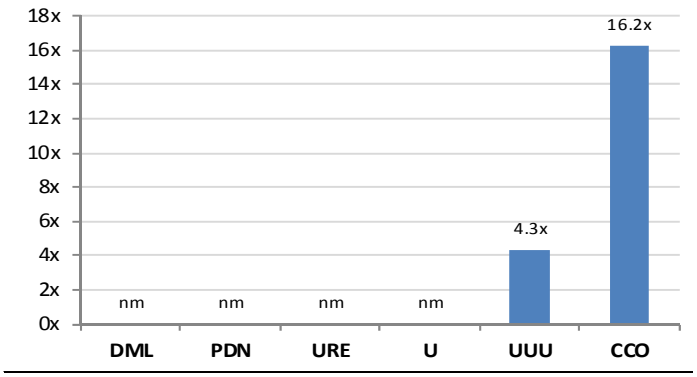
Paladin has US$936 mln in current LT debt and a debt/capital of 29% - the highest of the group. Paladin's negative EBIT in 2012E implies zero coverage of interest payments – we assume they are funded out of cash on hand. Uranium One and Cameco have manageable debt levels.

Exhibit 36: Debt/Capital (Current)



Source: Raymond James Ltd., Company Reports

Exhibit 37: Interest Coverage (2012E)

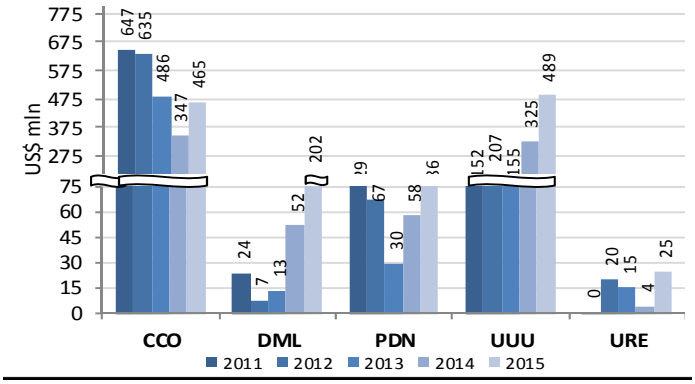


Source: Raymond James Ltd., Company Reports

Capital Spending

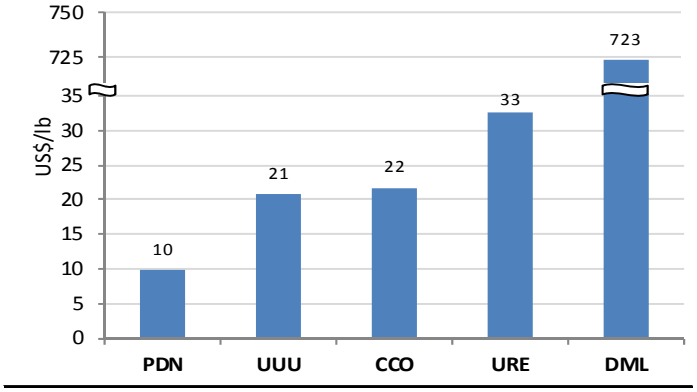
Paladin has substantively completed capital spending at Langer Heinrich and Kayelekera – capex in 2014E and 2015E relates to building Mt. Isa, Australia. We note, however, that Manyingee may now be next in line for development. Meanwhile, we anticipate growing capex requirements for Uranium One at its Mkuju River project and for Denison in Mongolia.

Exhibit 38: Capital Spending (2011A-2015E)



Source: Raymond James Ltd., Company Reports

Exhibit 39: Capital Intensity (Cumulative 2011A-2015E)

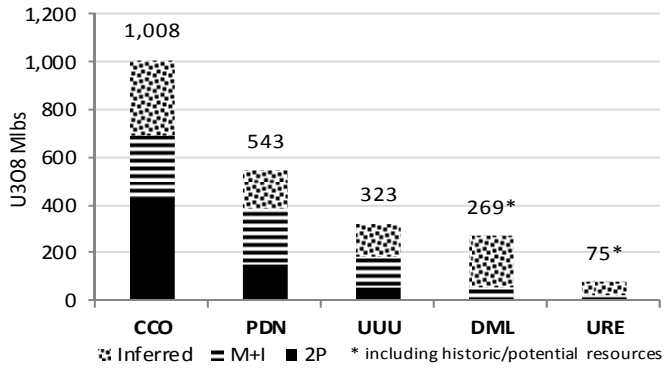


Source: Raymond James Ltd., Company Reports

Resources and Reserves

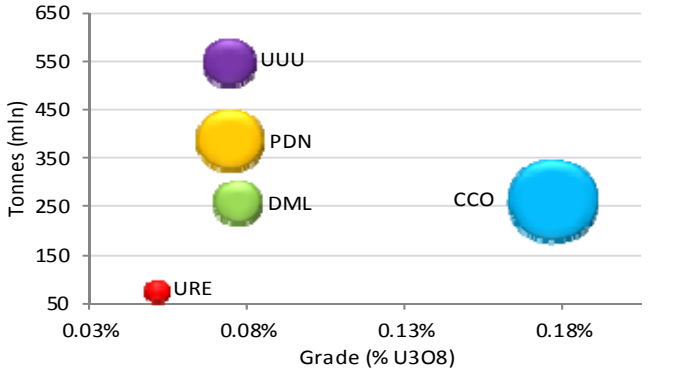
Cameco outclasses the group in resources on the back of high-grade material in the Athabasca Basin. Uranium One's ground hosts significant non-43-101-compliant, historic Russian resources not accounted for here (but often included in our DCFs). For Ur-Energy, bolstering pounds and incorporating non-43-101 material into the Lost Creek mine plan is a key hurdle, in our view. Radii of bubbles in Exhibit 41 are proportional to number of resource pounds.

Exhibit 40: Global Resources by Category (Mlbs)



Source: Raymond James Ltd., Company Reports

Exhibit 41: Global Resources – Tonnage (Mt) vs. Grade (%)

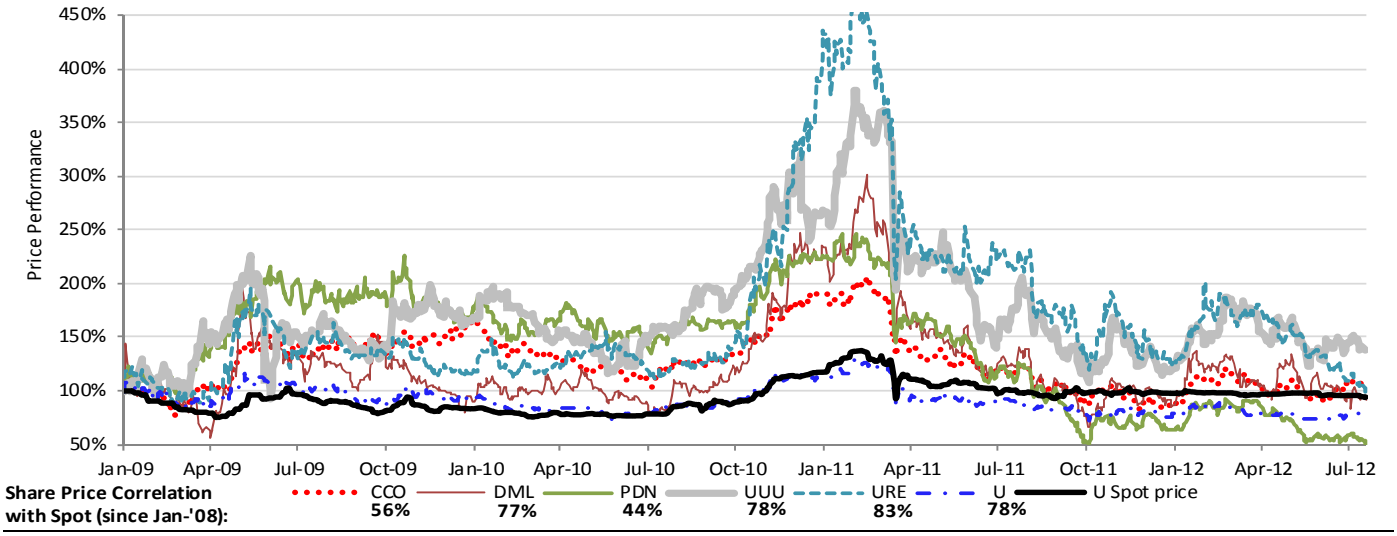


Source: Raymond James Ltd., Company Reports

Performance Relative to Spot Prices

Since January 2008, Ur-Energy has demonstrated the highest correlation with the spot price at 83% – above even the physical fund, UPC, at 78%. Amongst producers, Uranium One – unsurprisingly – has the highest correlation at 78%, likely on minimal fixed-price contracts. Cameco's 56% correlation reflects a targeted 60%/40% market/fixed contract pricing mix and non-uranium business arms. Paladin's correlation is the lowest at 44%, though we believe this may be skewed by some negative production surprises.

Exhibit 42: Share Performance by Company vs. UxC Spot (January 2009-current)

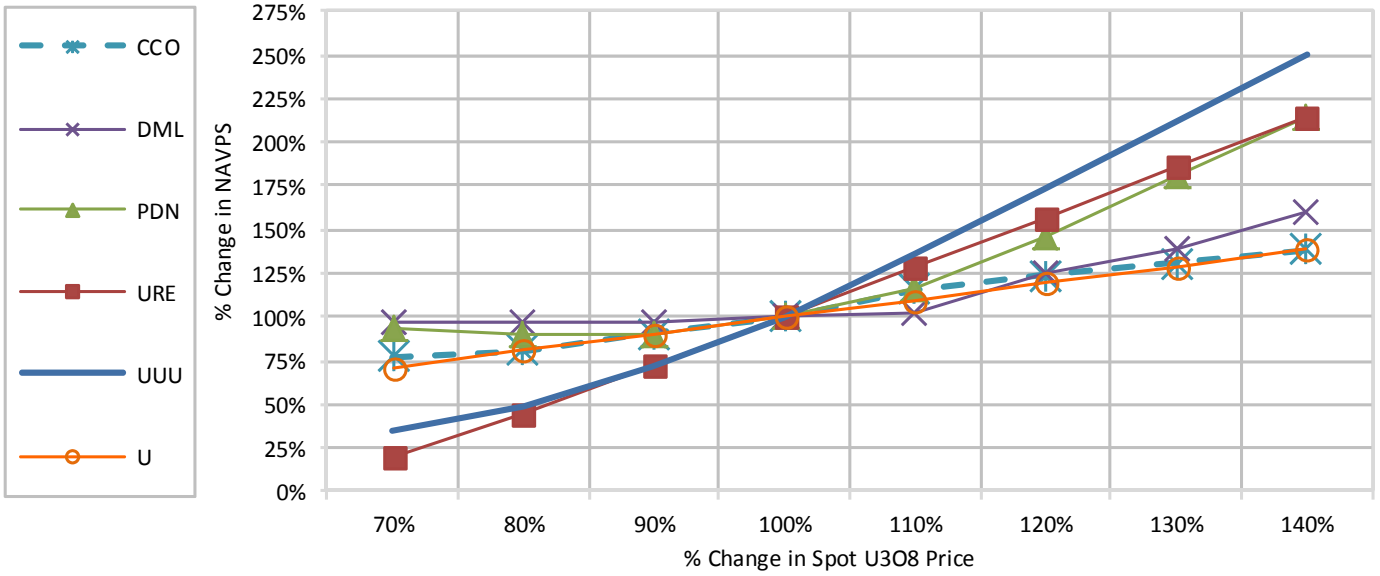


Source: Raymond James Ltd., Company Reports

NAV Sensitivities

Assuming flat-forward uranium price assumptions, our NAV for Uranium One is most sensitive to higher uranium prices, followed by Ur-Energy and Paladin. Cameco's 40/60 fixed/market-related contract pricing structure and vertical-integration reduce our NAVPS' exposure to spot, while Denison is resistant on minimal near-term production (and a significant component of valuation based on US$/lb resources). As expected, our NAVPS for UPC moves proportionally with prices.

Exhibit 43: NAV Sensitivity to Changing Uranium Price Assumptions



Source: Raymond James Ltd., Company Reports

Cameco Corp.

CCO-TSX | CCJ-NYSE

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July 26, 2012
Company Report

Mining | Uranium

Top Dog Should Go Shopping

Event

We are resuming research coverage of Cameco Corp. with a $28.00 target and an Outperform rating.

Recommendation

We recommend Cameco on its top producer status, low cost organic growth in safe jurisdictions, healthy balance sheet, vertical integration, and dividend.

Analysis

Top Dog. In 2011A, Cameco had the highest production of publicly-listed uranium miners, with 22.4 Mlbs U3O8 coming from a suite of five high-quality mines in largely low-risk jurisdictions. The company's purchase program, which includes the low cost HEU agreement, elevated sales to 32.9 Mlbs. We estimate cash costs of US$25/lb were in the lowest quartile globally.

Low Cost Production Growth. Guidance is to reach 40 Mlbs/year by 2018 via expansion at producing mines and development of new ones, including 50%-owned Cigar Lake, Saskatchewan, the biggest undeveloped mine in the world at 18 Mlbs/year nameplate. We see timely start-up in 4Q13E as critical for Cameco. Inkai (Kazakhstan), Millennium (Canada), and US ISR should also bolster growth. At ramped rates, we see overall cash costs remaining low at US$31/lb.

Lower Risk Exposure. We view Cameco as one of the lowest-risk ways to gain exposure to uranium. Fuel services and electricity business arms contributed 20% of gross profit in 2011A and the company targets a 40:60 fixed to market-related contract pricing mix, a higher ratio than its peers. These aspects reduce the company's exposure to any decrease in uranium prices, albeit, by the same measure, dampen the impact of price increases. Since Jan-2008, Cameco shares have traded at a 0.56 correlation with U3O8 spot prices (vs. Uranium One at 0.78).

M&A Could Solve Muted Earnings Growth. Expiry of the lucrative Russian HEU deal in 2013 and likely protracted Cigar ramp-up put the company at risk of limited growth in medium-term earnings, in our view; our 2013E – 2015E EPS are C$1.73, C$1.69, C$1.62. However, with C$4.1 bln in available capital, including a C$1.0 bln shelf filing in May 2012, we think Cameco may be gearing-up for an acquisition that could solve this problem.

Valuation

Our $28.00 target is based on a 50/50 weighting of (i) a 1.3x P/NAV applied to the project component of our C$19.50 NAVPS (8%) and (ii) a 14x P/CF applied to our C$2.26 2013E CFPS. Please see our Valuation & Recommendation section for further details.

EPS		1Q Mar	2Q Jun	3Q Sep	4Q Dec	Full Year	Revenue (mln)	NAVPS
	2011A	C$0.23	C$0.17	C$0.26	C$0.62	C$1.28	C$2,384	
Old	2012E	0.31A	NA	NA	NA	NA	NA	NA
New	**2012E**	**0.31A**	**0.27**	**0.29**	**0.38**	**1.24**	**2,372**	**19.50**
Old	2013E	NA	NA	NA	NA	NA	NA	NA
New	**2013E**	**0.36**	**0.45**	**0.41**	**0.51**	**1.73**	**2,653**	**NA**

Source: Raymond James Ltd., Thomson One

Rating & Target

	Outperform 2
Target Price (6-12 mos): Old: UR	New: C$28.00
Current Price (Jul-18-12)	C$22.34
Total Return to Target	25%
52-Week Range	C$27.05 - C$17.25

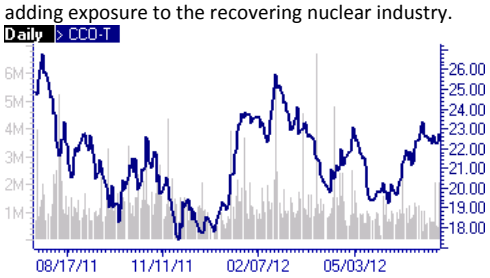
Market Data

Market Capitalization (mln)	C$8,830
Current Net Debt (mln)	C$214
Enterprise Value (mln)	C$9,044
Shares Outstanding (mln, basic)	395.3
10 Day Avg Daily Volume (000s)	901
Dividend/Yield	C$0.40/1.8%

Key Financial Metrics	2011A	2012E	2013E
P/E	17.4x	18.0x	12.9x
P/NAV		1.2x	NA
CFPS			
Old	C$1.94	NA	NA
New	C$1.94	C$1.67	C$2.26
Working Capital (mln)			
Old	C$1,877.3	NA	NA
New	C$1,877.3	C$1,445.8	C$1,645.7
Capex (mln)			
Old	C$(647.2)	NA	NA
New	C$(647.2)	C$(635.3)	C$(485.9)
Long Term Debt (mln)			
Old	C$932.3	NA	NA
New	C$932.3	C$907.9	C$857.9
Production (Mlbs)			
Old	22.4	NA	NA
New	22.4	21.8	22.6
Cash Costs (US$/lb)			
Old	US$25.0	NA	NA
New	US$25.0	US$28.8	US$30.1

Company Description

One of the largest, highest-grade & lowest-cost uranium producers globally. Cameco is vertically integrated via fuel services and electricity generation, adding exposure to the recovering nuclear industry.



RAYMOND JAMES®

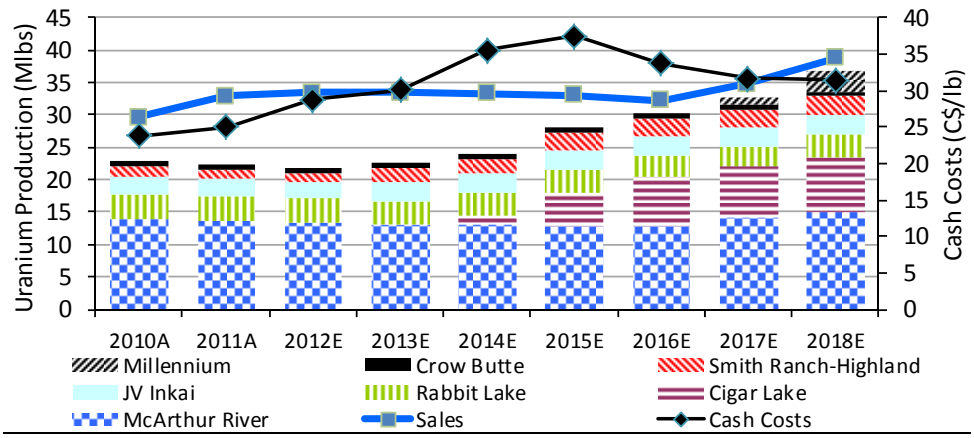
Investment Overview

A Top Producer, with Low Costs. In 2011A, Cameco produced 22.4 Mlbs (a close second globally) from mines in Canada (2), the US (2), and Kazakhstan (1). Production cash costs were amongst the lowest in the industry at C$24.95/lb, on the back of the world's highest-grade mine – McArthur River (69.8% interest) in Saskatchewan. Cameco is also operator and 50% owner of the highest grading and (planned) highest output development project globally, Cigar Lake, as well as the two largest conventional milling operations: Key Lake and Rabbit Lake.

Organic Production Growth. Cameco has a stated goal to reach 40 Mlbs/year production by 2018 on ramp-up within jurisdictions where the company is already present, including Inkai Block 3, US ISR expansions, Millennium, and the McArthur Extension. The most critical piece is Cigar Lake, where successful remediation and development progress has paved the way for start-up in late-2013E, 10 Mlbs/year in 2015E and 16.7 Mlbs/year in 2018E at sub-US$20/lb cash costs. The company remains coy on specific guidance at its other projects; however, we view these assets as high quality and likely to contribute meaningfully to growth by decade's end. We model 21.8 Mlbs in 2012E (in-line with guidance), and 22.6 Mlbs, 24.1 Mlbs and 28.1 Mlbs for the subsequent three years (just below guidance in each case). For 2018E, we project 36.7 Mlbs, vs. guidance of 40 Mlbs, albeit, we exclude Kintyre (Australia) on limited data. We believe potential M&A could also boost this profile (see M&A Potential below).

Sales Exceed Production. Cameco typically sells significantly more uranium each year than it produces (see Exhibit 44). This reflects the company's third party purchase program which consists of the Russian HEU agreement, as well as spot and term market buying. In 2011, the company sold 32.9 Mlbs (47% more than production). Making up the gap after the HEU agreement expires (end of 2013) is a large risk to sales and earnings growth – this risk is quantified below.

Exhibit 44: Production and Sales Profile



Source: Cameco Corp., Raymond James Ltd.

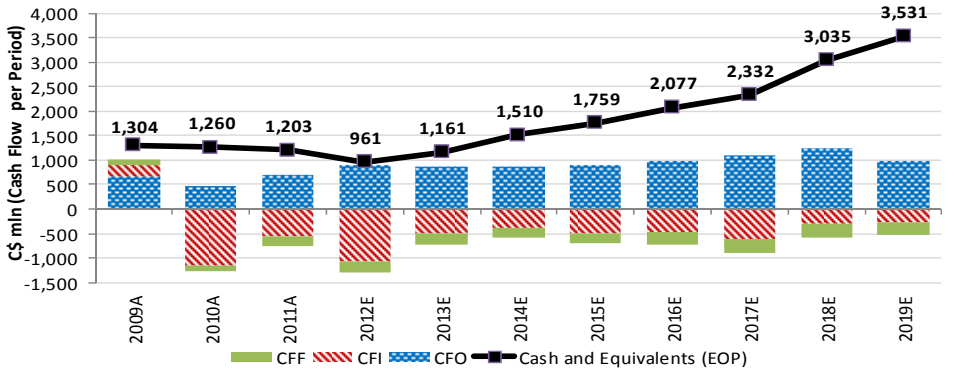
Solid Balance Sheet. At March 31, 2012, Cameco had C$1.36 bln in cash and equivalents, C$1.84 bln in working capital (including C$495 mln in inventories) and long-term debt of C$922 mln (including debentures: C$300 mln maturing September 2016 and C$500 mln September 2019), representing only 12% of total capital.

We estimate the company has ~C$4.1 bln in capital potentially available for development, expenditure surprises and/or M&A – a very comfortable buffer. This total includes:

(i) C$1.0 bln May 2012 shelf prospectus (debt or equity, valid for 25 months);

(ii) C$1.25 bln in undrawn revolving credit facilities;
(iii) C$500 mln upsize option on the revolver;
(iv) C$1.8 bln in existing WC, adjusted for recent acquisitions of Nukem (US$300 mln, incl. net debt) and +27.94% Millennium stake (C$150 mln, from Areva).

Exhibit 45: Segmented Cash Flows with EOP Cash and Equivalents



Source: Cameco Corp., Raymond James Ltd.

M&A Potential. Given a significant war chest and current depressed equity valuations industry-wide, it would make sense for Cameco to make a near-term acquisition(s), in our view. A failed bid for Hathor Exploration Ltd. in 2H11 also underlines current management's willingness to go the M&A route to reach its lofty production targets. Cameco's lower risk tolerance, current jurisdiction mix, and local expertise and infrastructure (particularly the under-utilized Rabbit Lake mill) suggest to us that the most likely potential targets would be in Canada, and could include:

- UEX Corporation (Cameco already owns 22.6%), an explorer whose 39.3 Mlbs Hidden Bay deposits could bolster Rabbit Lake, located 4 km to the north, in terms of mill feed as Eagle Point is on-track for depletion in 2019/2020. Also, Hidden Bay could help with tailings capacity as Cameco expects Rabbit's Tailings Management Facility (TMF) to be full without a major upgrade by 2016. An open pit at UEX's shallow, basement-hosted Raven would make a good TMF, in our view. UEX also holds a 49% interest (Areva 51%) in the Shea Creek project in western Athabasca, which hosts 88.1 Mlbs grading 1.4%, of which 54.3 Mlbs grades a strong 3.6%.

- Denison Mines owns a partial interest in several promising deposits, chiefly Wheeler River (39.4 Mlbs, 15.7% U3O8; 60% interest) where Cameco is a 30% interest holder, but also Midwest (53.4 Mlbs, 2.8%; 25.2%) and the McClean deposits (12.6 Mlbs, 2.7%; 22.5%). Denison's 22.5% ownership of the world-class JEB mill at McClean Lake would be a strategic get, tightening Cameco's hold on milling capacity in the Basin.

- Uranium Participation (UPC), the uranium fund, holds 13.4 Mlbs U3O8e as uranium oxides and uranium hexafluoride, while trading at only 0.87x P/NAV. Given significant market intelligence and trading experience (particularly pro-forma of the Nukem acquisition), we believe Cameco could realize significant value from UPC's inventory.

- Areva's non-core Athabasca assets may also be in play. Areva's CEO Luc Oursel has stated that the company is mulling asset sales to cut costs; true to those words, on June 11, 2012, Areva closed the sale of its 27.9% stake in Millennium to Cameco for C$150 mln. This transaction does not move the needle for Areva, in our view, so more divestitures could be coming. Areva has weak liquidity on the corporate level (€3.5 bln in net debt at December 31, 2011) and development focuses elsewhere, including Imouraren, Niger and Kiggavik-Sissons, Nunavut. Areva's stakes in

McArthur River (30.2%) and Cigar Lake (37%) are less likely to be sold In light of their word-class status and potential cash flows, but given requisite capital requirements and lengthy development timelines, non-core assets such as Midwest (69.2%) or McClean (70%) may be available. Acquisition of Areva's 70% stake in the JEB mill would help Cameco maintain a strategic advantage over Rio Tinto, which needs a mill for its recently acquired Roughrider project.

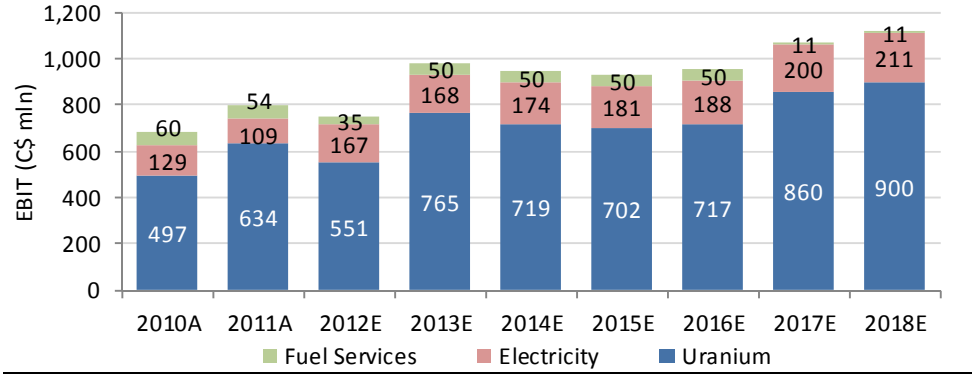
We note, however, that the above assets are each several years away from production (i.e., do not boost near-term sales growth – a key overhang for Cameco). Further, at a recent conference, CFO Grant Isaac stated Cameco's corporate development team has been instructed to look at near-term/existing producers, with at least 2 Mlbs/year production, mine life over 10 years, and majority ownership of their assets.

To our knowledge, there are very few producers that meet these criteria. Two such companies are: (i) Paladin Energy, producing at Langer Heinrich (100%, Namibia, 3.7 Mlbs in 2011) and Kayelekera (85%, Malawi, 2.2 Mlbs in 2011); and (ii) Heathgate Resources (a private subsidiary of General Atomics), operator of Beverley mine (100%, S. Australia, 1.0 Mlbs in 2011) and the 32 Mlbs Four Mile development project (75%, S. Australia), expected to start-up in 2013E and reach 2.0 Mlbs/year (per Ux Consulting Co.).

Vertically Integrated and Diversified in Uranium. Cameco's profitability is also bolstered by the 100%-interest Port Hope conversion plant (produces UF6), Blind River refinery (UO3), and particularly, a 31.6% stake in four reactors at Bruce nuclear plant in Ontario (BPLP). These business arms contributed ~20% of gross profit in 2011. However, we expect the relative importance of the non-uranium arms to decrease, given our somewhat tempered outlook on the fuel services division (prices and Springfields tolling contract ending in 2016E), as well as likely ramping sales and realized prices in the uranium business.

The diversity of Cameco's material sources is also underlined by the recently announced acquisition of Nukem (close expected 4Q12E), which should facilitate additional revenues from spot/term trading activities and unconventional supplies, as well as an off-take with Talvivaara, Finland (starts in 2012E; 900 klbs/year expected at full-ramp).

Exhibit 46: Cameco EBIT Segmented by Business Division



Source: Cameco Corp., Raymond James Ltd.

Large, High-grade Resource Base. Cameco has the highest grade reserve base in the world, with attributable proven and probable reserves of 435 Mlbs grading 0.40% U3O8 (at December 31, 2011); total 43-101 resources, including reserves, are 1,008 Mlbs grading 0.17% U3O8, underlining the company's longevity.

Low Risk Jurisdictions. We project 88% of cumulative 2011A – 2015E uranium production is slated to come from North America (77% Canada, 11% US), with the remainder coming from Inkai in Kazakhstan. On a NAV basis, Canada is dominant (78%), followed by Kazakhstan (12%), the US (5%), and Australia (5%).

Active Explorers. We believe Cameco has one of the best exploration teams in the space, with a track record of successful reserve replacement and new discoveries, including Millennium and Centennial. Success is not limited to Cameco's traditional stomping grounds. For example, 20.2 m grading 5.2% – a truly world-class interval – was reported earlier this year at Wellington Range, Australia. The company states it will spend C$115 mln in exploration in 2012 at over 50 active projects globally.

Stable Dividend Policy. The company has an unbroken record of paying a quarterly dividend since 1991. In 2011, Cameco paid out C$146 mln in dividends (or C$0.40/share), implying a distribution of 35% and a yield of 1.5%. We expect this policy to continue indefinitely.

Attractive Valuation. Cameco shares command a premium relative to its peers given the company's size, liquidity, safety and tier-1 status; however, relative to its own historic trading levels, valuation appears attractive: current P/NAV is 1.15x, vs. its one-year pre-Fukushima average 1.47x (and peers Uranium One (UUU) and Paladin (PDN) currently at 0.72x and 0.63x, respectively); current P/CF (2013E) is 9.9x, vs. UUU and PDN at 7.0x and 15.4x; current EV/lb resources is US$8.24/lb, vs. UUU and PDN at US$8.25/lb and US$2.19/lb.

Biggest and Most Liquid. For investors with specific mandates/constraints, Cameco is the most accessible of all Canadian-listed uranium equities, with the largest market cap (C$8.8 bln) and highest 100-day average dollar volume (C$25 mln).

Exhibit 47: Market Capitalization and Recent Trading Volumes for Covered Equities

Company	Market Cap. (C$m)	100-day avg. daily volume (Msh)	100-day avg. dollar volume (C$m)
Cameco	8,831	1.17	25.4
Uranium One	2,355	2.23	6.3
Paladin	911	0.67	1.1
UPC	615	0.36	2.0
Denison	512	1.37	1.9
Ur-Energy	81	0.07	0.1

Source: Capital IQ, Thomson One, Raymond James Ltd.

Potential Concerns

Muted Medium-term Earnings Growth. Since 1998, Cameco has benefitted from the Russian HEU agreement, in recent years taking delivery of ~7 Mlbs/year. Though annual purchase prices are not directly disclosed, Cameco's price on the majority of pounds was negotiated when levels were much lower than recent spot prices, making for a highly profitable business today. The company is scheduled to receive 7 Mlbs in 2012 and 10 Mlbs in 2013 (plus an additional 4.5 Mlbs via Nukem, pro-forma). However, Russian deliveries are due to expire at the end of 2013E and with Cigar Lake now starting up in 4Q13E at the earliest, Cameco is at risk of lower sales from 2014E. We assume the company will take measures to mitigate this risk by spreading out sales of HEU-derived material (7 Mlbs in 2012E, 9 Mlbs in 2013E, and 5.5 Mlbs in 2014E). Other contracted purchases (guidance is 6 Mlbs during 2012 – 2014) and opportunistic buying on the spot market could also support overall sales and revenues, however, these sources are costlier than the HEU program and consequently, absent M&A, we see muted earnings growth until Cigar ramps to 15.7 Mlbs (7.8 Mlbs attributable to Cameco) in 2017E. Our 2012E – 2016E EPS estimates are $1.24, $1.73, $1.69, $1.62 and $1.71.

Technical Ramp-up Risk. Uranium mining in the Athabasca Basin is a unique and challenging exercise. Many deposits are hosted within friable, incompetent sandstones, located below the water table, at high hydrostatic pressure. Although substantively progressed after two separate flooding events in October 2006 and August 2008, we highlight risk of further delays to Cigar Lake's start-up (we model 4Q13E, in-line with guidance), including further water in-flow and difficulties in adapting the innovative jet boring system (Cigar will be the first time Cameco has used JBS commercially).

At McArthur River, the company is looking to increase output significantly and we model the start of ramp-up to 22 Mlbs/year in 2017E. However, we see significant uncertainty in the mine's ability to support these rates, given significant resources (e.g., McA N and S, and Zones A and B) remain classified as inferred or indicated with no certainty of future conversion to economic reserves – a particularly tall order with McArthur's >C$2,000/t LOM average mining costs.

Permitting Risk. Cameco is still waiting for final government permits and a binding MOU to allow Inkai to ramp to 5.2 Mlbs/year production rates (from 3.9 Mlbs/year now). Further approvals would be needed for postulated eventual ~10 Mlbs/year rates, and given recent statements about restrained growth by Kazakh officials (see Market section for details), receipt of permits are not a foregone conclusion, in our view.

In the US, Cameco continues to experience protracted timelines for the permitting of new wellfields at Smith Ranch-Highland, which has hindered output (1Q12 -33% y/y). Slow regulatory approval of expansions may also result in missed guidance (the company sees 2.4 Mlbs in 2012 and 3.0 Mlbs in 2013 from US ISR). At McArthur in Canada, Cameco awaits approvals to expand the Deilmann TSF ("Key Lake Extension") and licensed McArthur capacity to 22 Mlbs/year (from 18.7 Mlbs/year now; "McArthur River Extension").

In Australia, Angela/Pamela, a JV with Paladin, is on the back-burner after Australia's Northern Territory government withdrew support in September 2010 (though elections are scheduled for August 25, 2012). Toro Energy's receipt of environmental approvals for its Wiluna project bodes well for Cameco's Kintyre, also in Western Australia.

Minimal Takeout Potential. As a strategic Canadian entity formed via the merger of two Canadian crown corporations, certain share movements are restricted by the Eldorado Nuclear Limited Reorganization and Divestiture Act (Canada). Per the Act, a Canadian resident, individually or with associates, cannot own >25% of voting shares and a non-Canadian resident cannot own >15%, limiting takeout potential, in our view.

Contract Risk. In its upcoming 2Q12 financial statements, Cameco expects to record a US$30 mln charge relating to termination of a uranium sales agreement with a customer (we suspect a German utility). The company states this material, which totaled 3.4 Mlbs over five years, is likely to be placed at a higher price and will not affect full year results. We highlight that further cancellations could have an adverse effect on Cameco's profitability.

Less Sensitive to Spot Price Rebound. Cameco targets a 40:60 ratio between fixed and market-related pricing (references spot or long-term prices at time of delivery) in its contracts and many of the company's sales agreements were signed in 2003 – 2005, when uranium prices were in the US$11/lb – US$31/lb range. While CCO is heavily contracted through 2016, these hedges provide some downside protection in a falling price environment and may have allowed the company to gain market share when other producers eschewed fixed prices. Conversely, Cameco will have reduced exposure to any spot price rebound. For example, in 2013E, 2014E and 2015E, we forecast prices to average US$63.00/lb, US$72.50/lb, and US$75.00/lb; our modeled realized prices for Cameco in those years are US$57.00/lb, US$62.00/lb, and US$65.00/lb, vs. for example Uranium One at US$61.00/lb, US$71.00/lb, and US$75.00/lb.

On a NAV basis, Cameco's sensitivity is further reduced by vertical integration – profitability of fuel services and electricity divisions are not directly linked to U3O8 spot prices. Exhibit 48 shows our NAVPS at changing discount rates and price decks (LT prices shown; RJL assumes US$70/lb).

Exhibit 48: CCO NAVPS Sensitivity to Changing Discount Rates and Uranium Prices

Discount Rate	U3O8 Price (US$/lb)								
	-40%	-30%	-20%	-10%	RJL LT	+10%	+20%	+30%	+40%
	42	49	56	63	**70**	77	84	91	98
15%	9.66	10.21	11.99	12.93	13.76	15.23	16.15	17.72	18.63
12%	10.80	11.42	13.64	14.76	15.75	17.54	18.64	20.55	21.63
10%	11.75	12.44	15.04	16.30	17.44	19.50	20.75	22.95	24.18
8%	12.92	13.68	16.75	18.19	**19.50**	21.92	23.34	25.90	27.31
5%	15.20	16.10	20.12	21.91	23.56	26.67	28.46	31.73	33.50
3%	17.19	18.22	23.10	25.20	27.14	30.88	32.98	36.91	39.00
0%	21.22	22.47	29.16	31.88	34.43	39.47	42.24	47.50	50.27

Source: Raymond James Ltd.

Potential Catalysts

Potential growth-related milestones include:

- Pre-feasibility at Kintyre in mid-late 2012E;
- Feasibility at Millennium by year-end;
- Permits allowing Inkai expansion to 5.2 Mlbs/year by year-end;
- Further clarity on timing and approvals for the Key Lake Extension (expansion of Deilmann TSF) by year-end and for the McArthur River Extension (ramp-up to 22 Mlbs/year) in 2013E;
- Progress on development at Cigar Lake over the coming months will also be critical.

The Quarter Ahead

We expect 2Q12E sales to be at 7.3 Mlbs, weaker than 8.1 Mlbs in 1Q12A, given guidance that uranium sales will be lowest of any quarter this year. For comparison, sales were 8.4 Mlbs in 2Q11A. We note Cameco guides that 4Q12E will comprise about one-third of this year's sales, similar to last year. On the production front, the second quarter is often a maintenance period for McArthur (we expect 3.8 Mlbs) and we typically a see a 30% – 40% drop in annualized run rates, albeit, this should be offset by higher output in other areas. For example, we expect a rebound in output at Smith Ranch-Highland on receipt of permits for a new wellfield earlier in the year (0.38 Mlbs, from 0.2 Mlbs in 1Q12A). On balance, we see 4.9 Mlbs produced (up from 4.8 Mlbs in 1Q12A, but down from 5.7 Mlbs in 2Q11A).

As guided post-1Q, a US$30 mln charge for a terminated sales contracted is expected in 2Q12 statements. Given this uranium is likely to be placed at a higher price, we view this event as immaterial to full-year earnings and intend to adjust our quarterly estimates following the release of Cameco's 2Q12 results. Our bottom line forecasts for 2Q12E are C$106 mln in net earnings or C$0.27/share (CFPS of C$0.39).

Financial and operational results are slated to be released before markets open on July 27, 2012, with a conference call at 1:00 pm ET.

Valuation and Financials

Exhibit 49: RJL NAV Summary for CCO

Funded NAV Valuation	C$mln	C$/afd.sh.	%
Corporate			
Working Capital (1Q12)	1,843	4.64	23.8%
Options & Warrants	29	0.07	0.4%
LT Liabilities	(922)	-2.32	-11.9%
SG&A	(584)	-1.47	-7.5%
Future Equity Dilution	0	0.00	0.0%
	366	0.92	4.7%
Uranium Division			
Uranium Purchase Program	501	1.26	6.5%
McArthur River (DCF 8%) - 70%	2,364	5.96	30.5%
Cigar Lake (DCF 8%) - 50%	1,072	2.70	13.9%
JV Inkai (DCF 8%) - 60%	772	1.94	10.0%
Rabbit Lake (DCF 8%) - 100%	248	0.62	3.2%
Smith Ranch (DCF 8%) - 100%	284	0.71	3.7%
Crow Butte (DCF 8%) - 100%	98	0.25	1.3%
Development Projects	611	1.54	7.9%
Exploration & Invstm Assets	602	1.52	7.8%
	6,552	16.50	85%
Other Divisions			
Fuel Services	183	0.46	2.4%
Bruce Power LP (DCF 8%) -31.6%	639	1.61	8.3%
	823	2.07	10.6%
	7,741	**$19.50**	**100.0%**
Adjusted Fully Diluted S/O (mln)		397.0	
Current Price/NAV (x)		1.15x	

Source: Raymond James Ltd.

We have an Outperform rating and $28.00 target on Cameco. Our target is based on a 50/50-weighting of (i) a 1.3x P/NAV applied to the project component of our C$19.50 NAVPS (8% discount; see Exhibit 49) (ii) and a 14x P/CF applied to our 2013E CFPS of C$2.26. Our multiples bias towards the lower end of historical trading ranges and conservatively against an average P/NAV of 1.5x (November 2009 to Fukushima) and forward P/CF of 15.5x (January 2005 to current).

Cameco currently trades at 1.15x P/NAV and 9.9x 2013E P/CF, a premium to peers Uranium One (0.72x and 7.0x) and Paladin (0.63x and 15.4x), as well as at US$8.24/lb for the company's 1,007.5 Mlbs in total resources vs. our global producer peers at US$4.74/lb. Cameco typically trades at a premium to its peers. We believe this premium is justified given the company's size, dominant market position, liquidity, safe jurisdictions and cash flows, and high quality reserves.

Exhibit 50: Financial Statements

C$000s (Fiscal year-end Dec-31)	2011A	2012E	2013E	2014E
Income Statement				
Revenue	2,384,404	2,371,830	2,653,081	2,823,996
Operating Expenses	(1,337,963)	(1,387,034)	(1,473,686)	(1,638,606)
SG&A, Forex	(253,400)	(271,084)	(256,084)	(256,084)
Mineral Write-offs	0	0	0	0
Other	1,096	15,401	3,040	3,040
EBITDA	794,137	729,112	926,351	932,345
DD&A	(274,835)	(212,538)	(209,192)	(239,099)
EBIT	519,302	516,574	717,159	693,246
Interest income (expense)	(57,143)	(31,838)	(42,450)	(42,450)
Tax recovery (expense)	(11,755)	14,673	9,963	14,900
Net Income	450,404	499,410	684,671	665,697
Weighted Avg. S/O ('000s)	394,662	394,967	394,967	394,967
Adj. EPS (C$/sh; basic)	1.28	1.24	1.73	1.69
Cash Flow				
Operating	731,677	929,930	893,864	904,796
Investing	(528,030)	(1,052,339)	(485,861)	(347,494)
Financing	(188,607)	(224,318)	(208,100)	(208,100)
Net Change in Cash (net FX)	22,658	(347,461)	199,903	349,202
CFPS (C$/sh; w/o WC)	1.94	1.67	2.26	2.29
Cash (EOP)	399,279	51,818	251,720	600,922
Balance Sheet				
Current Assets	2,585,334	2,042,711	2,242,613	2,591,815
Non-current Assets	5,216,497	5,945,955	6,222,624	6,331,019
Total Assets	7,801,831	7,988,666	8,465,237	8,922,834
Current Liabilities	708,019	596,906	596,906	596,906
Non-current Liabilities	1,988,307	1,959,390	1,909,390	1,859,390
Total Liabilities	2,696,326	2,556,296	2,506,296	2,456,296
Deficit, other comp income (loss)	46,548	29,053	29,053	29,053
Shareholder Equity	5,058,957	5,403,317	5,929,888	6,437,485
Total Liabilities + Equity	7,801,831	7,988,666	8,465,237	8,922,834

Source: Raymond James Ltd., Cameco Corp.

Exhibit 51: Financial and Operational Snapshot of Cameco Corp.

Cameco Corporation

Rating:	**Outperform 2**	CCO-T	
6-12 Mth Target	**C$ 28.00**	**NAV**	$19.50
Projected Return:	**25.3%**	**YR-END:**	**Dec 31**

Investment Thesis
- Vertically integrated / diverse revenue streams (production, conversion, power generation)
- Exceptional exploration potential in the Athabasca Basin of Northern Saskatchewan
- Strong North American asset base with low sovereign risk

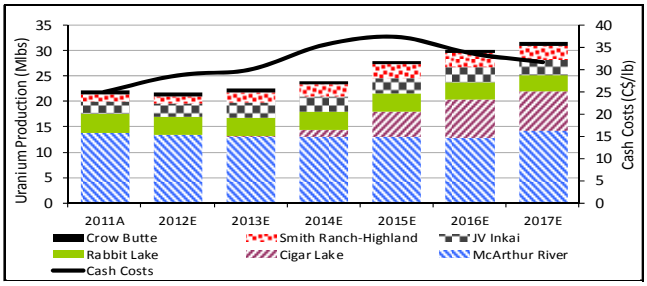
Key Attributes:
- One of World's largest uranium producers
- Controlling interest in the mammoth Cigar Lake and McArthur River uranium assets
- Owns the Port Hope UF6 Conversion facility - 1 of 4 in the western world
- 31.6% share in North America's largest power plant, Bruce Power, Ontario

Key Concerns
- Cost control and operational risk at Cigar Lake and McArthur
- Ramp-up risk at Cigar Lake and McArthur
- Muted medium-term earning growth

Reserve & Resource	Interest	Tonnes	Grade	U3O8	CCO's
Proven & Probable Reserves	(%)	('000)	(% U3O8)	(Mlbs)	(Mlbs)
McArthur River	70%	870	16.89%	324.0	226.2
Cigar Lake	50%	537	18.30%	216.7	108.4
Crow Butte	100%	1,283	0.13%	3.7	3.7
Gas Hills - Peach	100%	999	0.11%	2.4	2.4
Inkai	60%	67,465	0.07%	99.5	59.7
North Butte/Brown Ranch	100%	1,839	0.09%	3.7	3.7
Rabbit Lake	100%	1,491	0.73%	24.0	24.0
Smith Ranch-Highland	100%	3,388	0.09%	6.6	6.6
Key Lake	83%	62	0.73%	1.0	0.8
		77,934	0.40%	681.6	435.4
Measured & Indicated Resource					
McArthur River	70%	188	17.63%	73.1	51.0
Cigar Lake	50%	44	2.25%	2.2	1.1
Crow Butte	100%	2,592	0.21%	11.9	11.9
Dawn Lake	57%	347	1.69%	12.9	7.4
Gas Hills - Peach	100%	9,786	0.10%	22.2	22.2
Smith Ranch-Highland	100%	16,936	0.06%	23.7	23.7
Inkai	60%	28,613	0.08%	48.0	28.8
Millennium	42%	508	4.55%	50.9	21.4
North Butte/Brown Ranch	100%	7,249	0.08%	12.3	12.3
Phoenix	30%	90	17.96%	35.6	10.7
Rabbit Lake	100%	362	0.54%	4.3	4.3
Ruby Ranch	100%	2,215	0.08%	4.1	4.1
Ruth	100%	1,081	0.09%	2.1	2.1
Shirley Basin	100%	1,727	0.12%	4.4	4.4
		76,239	0.23%	380.8	254.3
Inferred Resources	61%	268,116	0.09%	523.8	317.8
Global Resources	64%	422,288	0.17%	1,586.2	1,007.5

Note: Resources do not include Reserves
Source: Cameco Corp., Raymond James Ltd. Dec.31, 2011

Operating Summary	2011A	2012E	2013E	2014E	2015E
U3O8 (mln lb)	22.4	21.8	22.6	24.1	28.1
Cash Costs per lb Sold ($/lb)	25.0	28.8	30.1	35.6	37.4
EV/Prodn U3O8	$404	$415	$400	$376	$322



RAYMOND JAMES LTD. RESEARCH

Analyst: David Sadowski 604 659 8255
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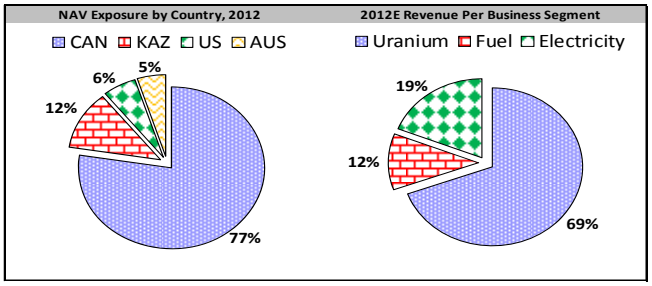
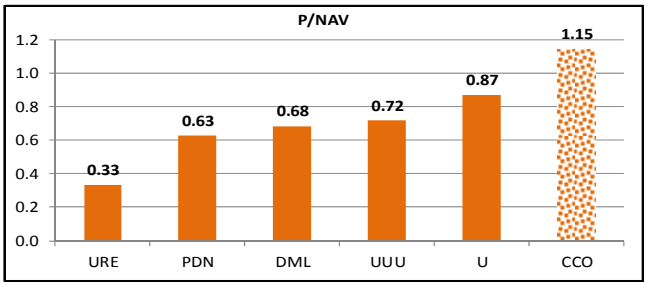
Reporting currency:	CDN		18-Jul-12
Market Statistics			
Share Price	C$ 22.34	Shares Basic (mln)	395.3
52 Week High	27.05	Shares Fully Diluted (mln)	397.0
52 Week Low	17.25	Adj. Shares used in NAV calc (mln)	397.0
Market Cap. (mln)	8,830	Avg Daily Volume:	826,290
Enterprise Value (mln)	9,044	Annualized Dividend	$0.40
Total model'd lb. in DCF (mln)	1007.5	Div Yield %	1.79%

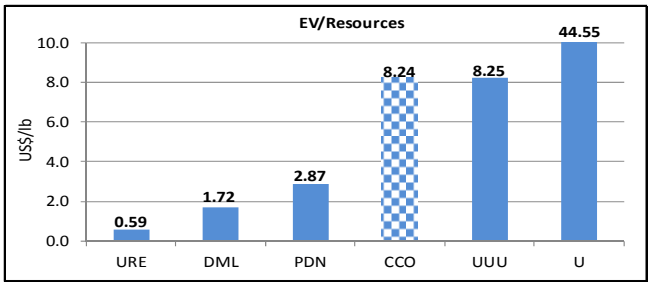
Financial Metrics	2011A	2012E	2013E	2014E	2015E
Cash ($ mln)	1203.4	961.0	1160.9	1510.1	1759.5
Working capital ($ mln)	1877.3	1445.8	1645.7	1994.9	2244.3
Current ratio (x)	3.7	3.4	3.8	4.3	4.8
LT Debt ($ mln)	932.3	907.9	857.9	807.9	757.9
Common Equity (mln)	4919.6	5249.0	5775.6	6283.2	6765.9
Price/book (x)	1.13	1.10	1.04	0.99	0.94
LTD/(LTD + Equity)	15.9%	14.7%	12.9%	11.4%	10.1%
ROE	10%	9%	12%	11%	9%
ROIC	6%	6%	8%	7%	7%

Earnings/Cash Flow	2011A	2012E	2013E	2014E	2015E
RJ Uranium Forecast US$/lb	57.09	53.50	63.00	72.50	75.00
Revenue ($mln)	2384.4	2371.8	2653.1	2824.0	2909.9
EBITDA ($mln)	679.9	665.4	841.5	847.4	864.8
EBITDA margin	29%	28%	32%	30%	30%
EV/EBITDA (x)	13.3	13.6	10.7	10.7	10.5
EBIT ($mln)	405.0	452.9	632.3	608.3	582.8
Adj. Net earnings ($mln)	505.9	491.4	684.7	665.7	640.8
Adj. EPS ($/sh)	1.28	1.24	1.73	1.69	1.62
P/E (x)	17.4	18.0	12.9	13.3	13.8
Operating Cash Flow ($mln)	731.7	929.9	893.9	904.8	922.8
CFPS ($/sh)	1.94	1.67	2.26	2.29	2.34
P/CF (x)	11.5	13.4	9.9	9.8	9.6
Capex ($mln)	-647.2	-635.3	-485.9	-347.5	-465.3

Valuation	C$ mln	$/share	% of Total Assets
Uranium Purchase Program	501	1.26	6%
McArthur River (DCF 8%) - 70%	2,364	5.96	31%
Cigar Lake (DCF 8%) - 50%	1,072	2.70	14%
JV Inkai (DCF 8%) - 60%	772	1.94	10%
Rabbit Lake (DCF 8%) - 100%	248	0.62	3%
Smith Ranch (DCF 8%) - 100%	284	0.71	3.7%
Crow Butte (DCF 8%) - 100%	98	0.25	1.3%
Development Projects	611	1.54	7.9%
Exploration & Invstm Assets	602	1.52	7.8%
Fuel Services	183	0.46	2%
Bruce Power LP (DCF 8%) -31.6%	639	1.61	8%
	7,375	**18.58**	**95%**
Working Capital	1,843	4.64	23.8%
Additional Capital	29	0.07	0.4%
LT Liabilities	(922)	(2.32)	-11.9%
SG&A	(584)	(1.47)	-7.5%
Equity Dilution	0	0.00	0.0%
NAV	**7,741**	**19.50**	**100.0%**
Valuation Measures	**Implied Target Multiple**	**Current Multiple**	
Price/2012E NAVPS (x)	1.4	1.1	
Price/2013E CFPS (x)	12.4	9.9	
Target Price C$:	**C$ 28.00**		







Source: Raymond James Ltd., UxC, Thomson One, Capital IQ, Cameco Corp.

Denison Mines Corp.

DML-TSX | DNN-AMEX

David Sadowski | 604.659.8255 | david.sadowski@raymondjames.ca

July 26, 2012

Company Report

Mining | Uranium

For Sale: One Canadian Uranium Exploreco, As-Is

Event

We are resuming research coverage of Denison Mines Corp. with a $1.80 target and a Market Perform rating.

Recommendation

Although the company boasts good exploration upside at Wheeler River and takeover potential, we urge caution on Denison over the next 6 – 12 months, given limited visibility on medium-term, minority-interest development projects, and the currently challenging financing environment for juniors.

Analysis

Financing Risk. At March 31, 2012, Denison held US$43.5 mln in cash, US$87.8 mln in working capital, and no debt – a solid financial position, in our view. However, with US$19.3 mln budgeted for exploration and development in 2012E, likely similar levels in 2013E, and minimal revenues, we model a future funding shortfall starting in 4Q13E. Recent market risk-aversion could provide for a challenging financing environment, particularly for a cash-burning exploreco.

Limited Visibility. We have a cautious view on the outlook at Denison's minority-interest secondary projects in northern Saskatchewan, as well as in Zambia. Permitting and operational details, such as production rates, costs, and start-up remain elusive. Until these parameters are firmed up, we view economics at current prices as uncertain. The Mongolian ISL JV appears more prospective, but also awaits mining license approvals. In total, we ascribe C$237.5 mln.

World Class Upside. Wheeler River (60%-interest, Athabasca Basin), one of the best discoveries this cycle, is Denison's most important project, in our view. We see significant potential to build on current resources of 39.4 Mlbs U3O8 at 15.7%, modeling 70 Mlbs at 12% and an attributable NPV (8%) of C$230 mln.

Takeout Potential. We view Denison as one of the top takeout candidates in the space. Strategic assets in Canada – including the state-of-the-art JEB mill (22.5% interest), Wheeler River, McClean and Midwest – could help Rio Tinto expand its presence in the region, or allow Cameco to protect its dominant land and mill position. We believe the recent sale of Denison's high-cost, producing US assets amplifies takeout potential further.

Relative Valuation. That said, Denison appears expensive at current valuations, trading at 0.68x P/NAV (vs. Ur-Energy at 0.33x) and US$1.72/lb resources, vs. global explorers/developers at US$0.70/lb.

Valuation

Our target is based on a 0.9x P/NAV applied to the project component of our C$1.95 NAVPS (8%). Please see our Valuation & Recommendation section for further details.

EPS		1Q Mar	2Q Jun	3Q Sep	4Q Dec	Full Year	Revenue (mln)	NAVPS
	2011A	US$(0.02)	US$(0.04)	US$0.01	US$(0.09)	US$(0.13)	US$97	
Old	2012E	(0.02)A	NA	NA	NA	NA	NA	NA
New	**2012E**	**(0.02)A**	**(0.03)**	**(0.01)**	**(0.01)**	**(0.07)**	**56**	**1.95**
Old	2013E	NA	NA	NA	NA	NA	NA	NA
New	**2013E**	**(0.01)**	**(0.01)**	**(0.01)**	**(0.01)**	**(0.05)**	**18**	**NA**

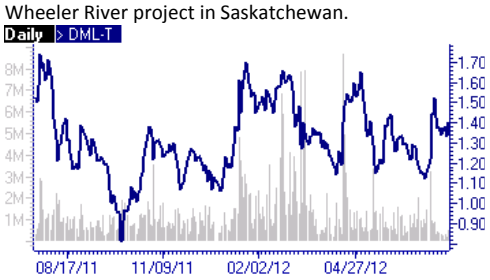
Source: Raymond James Ltd., Thomson One

Rating & Target	
	Market Perform 3
Target Price (6-12 mos): Old: UR	New: C$1.80
Current Price (Jul-18-12)	C$1.33
Total Return to Target	35%
52-Week Range	C$1.76 - C$0.74
Market Data	
Market Capitalization (mln)	C$512
Current Net Debt (mln)	-US$42
Enterprise Value (mln)	C$471
Shares Outstanding (mln, basic)	384.7
10 Day Avg Daily Volume (000s)	311
Dividend/Yield	nm/nm

Key Financial Metrics	2011A	2012E	2013E
P/E	nm	nm	nm
P/NAV		0.7x	NA
CFPS			
Old	US$(0.05)	NA	NA
New	US$(0.05)	US$(0.06)	US$(0.04)
Working Capital (mln)			
Old	US$93.5	NA	NA
New	US$93.5	US$67.8	US$44.2
Capex (mln)			
Old	US$(24.3)	NA	NA
New	US$(24.3)	US$(7.4)	US$(13.2)
Long Term Debt (mln)			
Old	US$1.1	NA	NA
New	US$1.1	US$1.1	US$1.1
Production (Mlbs)			
Old	0.0	NA	NA
New	0.0	0.0	0.0
Cash Costs (US$/lb)			
Old	US$0.0	NA	NA
New	US$0.0	US$0.0	US$0.0

Company Description

Denison is a uranium exploration/development focused on a suite of Canadian, Mongolian and Zambian assets. Denison's flagship is its world-class Wheeler River project in Saskatchewan.



RAYMOND JAMES®

Investment Overview

Wheeler River. Denison has a 60% interest in its flagship Wheeler River project (30% Cameco, 10% Japan-Canada Uranium Co. (JCU)), where the Phoenix deposit hosts an estimated 39.4 Mlbs in 43-101 resources grading an outstanding 15.7%. The main Zone A's 35.6 Mlbs in Measured resources grades 18.0% – on par with the world's two richest deposits, McArthur River and Cigar Lake. For reference, at current spot prices, 18.0% material has an in-situ value of US$20,000/t (vs. global uranium deposit average of 0.1% – 0.2%, or ~US$150/t). Phoenix reflects the classic unconformity-related model of many major Athabasca deposits, with deposition into Athabasca Group sandstones and the underlying Wollaston Group metasediments. High-grade uranium is found as horizontal sheets along a NE-trending shear fault, ~390 m – 420 m below surface and has been traced along a ~1.3 km strike length. Phoenix shares many similarities to McArthur (only ~40 km, on-strike to the NW), most importantly analogous fault structure(s), graphitic pelite, a quartzite ridge footwall, a silicified cap (at Phoenix Zone D), as well as minimal arsenic and other accessory metals.

World Class Potential. For 2012, the JV has set an exploration budget of C$6.8 mln (C$4.1 mln attributable to Denison), including 60 holes for 28,000 m. The winter program is now complete, with probe results from 11 of 25 holes released thus far (including 4.9 m of 25.8% U3O8e); drilling as part of the 15,000 m summer program is on-going and focused on definition drilling at Zone B and on regional targets. We believe the project as it stands does not yet have the critical mass required for development, but there is strong potential to add pounds to existing resources, including:

(i) increased drill density in the highest grade areas (which could bolster confidence and permit inclusion of additional high-grade material);

(ii) extension of stacked structures of the Zone A Extension (located E/NE of Zone A) towards the strongly-altered Zone D;

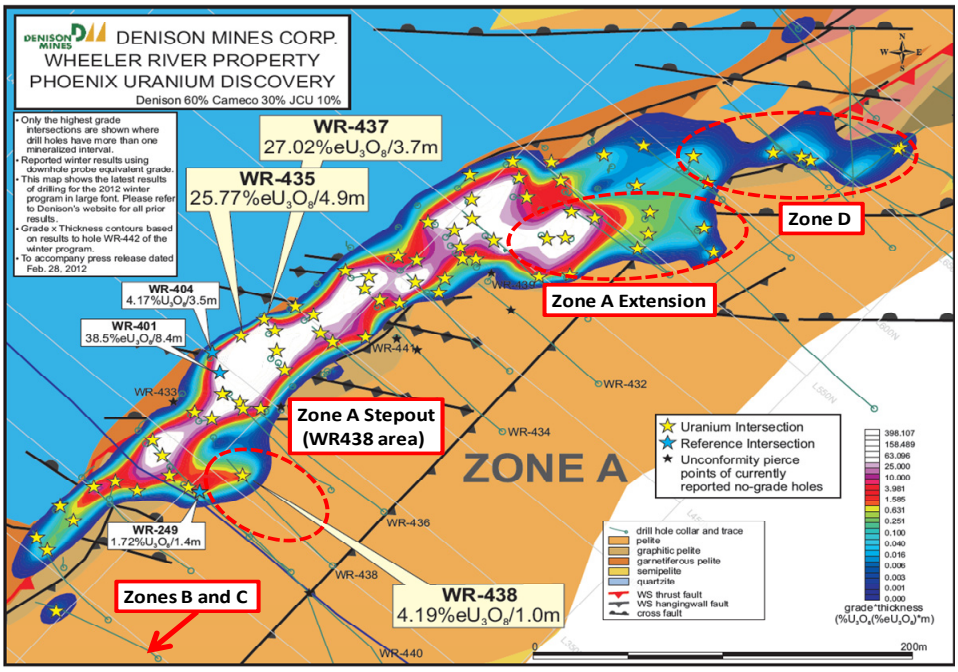
(iii) Zone A east step-outs, proximal to hole 438 (1.0 m grading 4.19% U3O8e, released February 28, 2012);

(iv) basement-hosted mineralization, particularly towards the northern end of Zone A;

(v) Zones B, C, D where we believe >10 Mlbs has already been defined by drilling to date (see Exhibit 52). Regional targets are highly prospective, in our view.

Our Wheeler Estimates. Our modeled reserve, on a 100% basis, stands at 70 Mlbs grading 12%, comprised ~75% of high-grade Zone A material (and where most growth from existing 39.4 Mlbs resources will come from, in our view). We model an underground operation, starting in 2019E and averaging 7.7 Mlbs/year over a nine year mine life. We see capex of US$750 mln and LOM cash costs of US$28/lb; higher grade pounds are weighted to earlier years in our mine plan, boosting average output in years 1 – 4 to 10 Mlbs/year.

Exhibit 52: Plan Map of Wheeler River Phoenix Zone A



Source: Raymond James Ltd., Denison Mines Corp.

JEB Mill, a Strategic Asset. Denison owns a 22.5% share of the McClean Lake JV, including the JEB mill, which was put on care and maintenance in mid-2010. JEB is one of only four active conventional uranium mills in North America and is unique in that it can process high-grade ores without down-blending – a strong competitive advantage. Current constructed capacity is 12 Mlbs/year (JV is awaiting permits for this rate; current licensed capacity is 8 Mlbs/year), with expansion work on-going for 22 Mlbs/year to accommodate ore from Cigar Lake starting late-2013E. This upgrade is to be funded by the Cigar Lake JV (50% Cameco, 37% Areva, and 13% Japanese utilities) and environmental approvals are already in place for this capacity. JEB could theoretically be uprated further, to 27 Mlbs/year, largely by expanding bottleneck back-end capacity. This expansion would make JEB the largest uranium mill in the world; from a different perspective, at that level, Denison's 22.5% stake alone represents 6.1 Mlbs/year of capacity, which by our estimates would place it within the top 10 largest conventional uranium milling operations globally.

Solid Takeout Potential. With three majors in the Basin (Cameco, Rio Tinto, and Areva) and near-trough valuations, we view Denison as a likely acquisition target, particularly now the high cost, producing US assets, which we viewed as overshadowing the company's Canadian portfolio, have been divested to Energy Fuels. We believe Denison's Wheeler, McClean/Midwest projects and interest in JEB could help Rio Tinto expand its presence in the region, or alternatively, for Cameco to protect its dominant land/mill position and bolster its production profile. These companies also have the balance sheet strength to move forward or even fast-track development (while Dension would likely need significant external capital). We view Areva as more of a seller than a buyer, given its stated intention to sell, the recent sale of its Millennium stake to Cameco, its development focus elsewhere (namely, Niger and Nunavut) and weak corporate liquidity. Denison does not have a shareholder rights plan.

Significant Exploration Programs. For 2012E, in addition to $4.1 mln at Wheeler, Denison plans to spend $1.0 mln at other Canadian exploration projects; ~$3 mln in Mongolia, with 27,900 m of drilling (including follow-up on two discoveries made in

2011) and $7.1 mln in Zambia, including 15,000 m drilling. A total of $3.5 mln is also slated for permitting, development testing and other work at McClean North and Midwest. These aggressive plans should facilitate healthy news flow throughout the year.

Strong Partners. Korea's largest electrical utility, Kepco (~$14 bln market cap), owns 15.08% of Denison's outstanding shares following a C$95 mln private placement in 2009. Given the annual uranium demand of Korea's current nuclear fleet (reported at 10 Mlbs in 2012 by the World Nuclear Association (WNA)) and planned aggressive build-out, we believe Kepco would be a highly supportive partner moving forward. Kepco has top-up rights on future equity issues and controls two seats on Denison's Board. As part of the 2009 agreement, Kepco was entitled to >350 klbs/year from 2010 – 2015; this off-take arrangement has been transferred to Energy Fuels.

Denison Still has Revenues. Denison's other businesses – its environmental services arm and Uranium Participation Corp. management – should continue to provide the company with steady cash flows into the future (we model US$18 mln/year revenues in perpetuity). The company should realize some revenue from toll milling charges associated with processing Cigar Lake ore at JEB (~$4 mln – $6 mln/year at full production rates, but we note these cash flows are unlikely to be significant until 2014E).

Potential Concerns

Financing Risk. Denison has a strong balance sheet, with 1Q12A cash and equivalents of US$43.5 mln, working capital of US$87.8 mln, and no debt. With $19.3 mln budgeted for exploration and development in 2012E (and likely similar levels into 2013E, with some development spending in Mongolia and Canada), we model a future funding shortfall beginning in 4Q13E. Although we are optimistic on the outlook of the uranium space, there is a risk that Denison, as a junior, could face challenges issuing shares at attractive price levels, if current risk-aversion in the broader market is protracted.

A $35 mln revolving credit facility expired June 29, 2012; to be conservative, we assume Denison was unable to extend the term of this facility (clarity will be provided in 2Q12 financial results).

Limited Visibility at Other Projects. Details on costs and timing for Denison's more advanced Canadian projects – specifically at McClean and Midwest – remain somewhat elusive. At McClean North, management has guided for a potential 2016E start-up and 4 Mlbs/year (Denison's share <1 Mlbs/year); a feasibility combining the McClean North, Sue D and Caribou deposits (collectively, 18 Mlbs resources) is on-going and a production decision is expected by year-end. At Midwest, the JV is exploring use of surface access borehole mining (SABM; i.e. jet boring from surface) and governmental review of the Environmental Assessment at Midwest is on-going, with a decision expected in 4Q12E. Until costs and dates are firmed up at these Canadian projects, we value them on a $/lb basis, attributing US$6 per lb 43-101 resources, for US$106 mln total ascribed value.

Meanwhile, a June 21, 2012 Reuters report quoted Denison's Africa Director as stating 100%-owned, Mutanga (Zambia; 50 Mlbs at 0.03%) was unlikely to be developed at uranium prices below US$65/lb, suggesting more pounds, or at least higher grade pounds, are necessary to offset costs. We estimate a value of C$56 mln via DCF analysis. We view Mongolia as furthest down the development track, with potential start-up of an ISL operation in late-2015E; however, the Gurvan-Saihan JV needs approval of mining licenses (likely early 2013E) before proceeding with the next step – a pilot plant – and these approvals are on-hold while the new government (post June 28, 2012 elections)

resolves allegations of voting fraud and settles in. Our DCF yields C$76 mln for Denison's Mongolian assets.

Potential Catalysts

Potential milestones for the company include:

- An exploration update including assays from the summer drill program at Wheeler River by Jul-31-12;
- Details on pre-feasibility study results, as well as a production decision at the McClean North underground by year-end;
- Results from the environmental review at Midwest by year-end.

The Quarter Ahead

DML has guided for 2Q12E production of 277 klbs U3O8 production from alternate feed sources at White Mesa, Utah and sales of 316 klbs U3O8. Now that the sale of all US producing assets is complete and the company has reverted back to an exploration/development play, we view 2Q12E results as largely immaterial.

Valuation and Financials

Exhibit 53: RJL NAV Summary for Denison Mines

Unfunded NAV Valuation			
Financial	**C$mln**	**C$/fd.sh.**	**%**
Working Capital (1Q12A)	$87.8	$0.22	12%
Additional Capital	$12.2	$0.03	2%
LT Liabilities	($1.1)	$0.00	0%
SG&A	($52.7)	-$0.13	-7%
	$46.3	$0.12	6%
Projects			
McClean Lake Mill (replacement)	$213.8	$0.55	28%
Wheeler River (DCF; 8%)	$230.4	$0.59	30%
Cdn Expl Assets ($/lb, cost)	$106.0	$0.27	14%
Gurvan Saihan, Mongolia (DCF; 8%)	$75.9	$0.19	10%
Mutanga, Zambia (DCF; 8%)	$55.6	$0.14	7%
Environmental, UPC Mgmt (NPV; 8%)	$34.3	$0.09	4%
	$715.9	$1.83	94%
Net Asset Value:	**$762.1**	**$1.95**	100%
Fully Diluted Sh. (mln)		391.3	

Source: Raymond James Ltd.

We have a Market Perform rating and $1.80 target on Denison. Our target is based on a 0.9x P/NAV applied to the project component of our C$1.95 NAVPS (8% discount; see Exhibit 53). Given our large projected future funding shortfall (C$505 mln), our NAV is calculated on an unfunded basis. Our P/NAV multiple reflects the historical trading ranges of 0.23x to 1.26x for our Raymond James Ltd. explorer/developer juniors, and our one-year, pre-Fukushima average Denison multiple of 1.2x. We also adjust our multiple for exploration upside, high takeout potential, and the current challenging financing environment for juniors.

Denison currently trades at 0.68x P/NAV (vs. Ur-Energy at 0.33x), as well as US$1.72/lb for the company's 269 Mlbs in total resources vs. our global explorer/developer peers at US$0.70/lb.

Exhibit 54: Financial Statements

US$000s (Fiscal year-end Dec-31)	2011A	2012E	2013E	2014E
Income Statement				
Revenue	96,800	56,044	18,351	19,256
Operating Expenses	(181,172)	(60,965)	(100)	(100)
SG&A, Forex	(49,130)	(39,023)	(35,256)	(34,088)
Mineral Write-offs	0	0	0	0
Other	67,782	(25,433)	0	0
EBITDA	(65,720)	(69,377)	(17,005)	(14,932)
DD&A	(6,150)	(4,223)	(2,000)	(2,000)
EBIT	(71,870)	(73,600)	(19,005)	(16,932)
Interest income (expense)	(38)	(38)	0	0
Tax recovery (expense)	1,039	754	0	0
Net Income	(70,869)	(72,884)	(19,005)	(16,932)
Weighted Avg. S/O ('000s)	380,838	384,480	385,246	408,672
Adjusted EPS (US$/sh; basic)	(0.13)	(0.07)	(0.05)	(0.04)
Cash Flow				
Operating	(19,983)	(23,001)	(17,005)	(14,932)
Investing	(85,744)	(8,136)	(13,200)	(52,100)
Financing	62,261	230	6,610	67,032
Net Change in Cash (net FX)	(44,039)	(29,920)	(23,595)	0
CFPS (US$/sh; w/o WC)	(0.05)	(0.06)	(0.04)	(0.04)
Cash (EOP)	53,515	23,595	(0)	(0)
Balance Sheet				
Current Assets	104,807	80,191	56,596	56,596
Non-current Assets	399,679	358,244	369,444	419,544
Total Assets	504,486	438,435	426,040	476,140
Current Liabilities	11,291	12,433	12,433	12,433
Non-current Liabilities	38,391	38,326	38,326	38,326
Total Liabilities	49,682	50,759	50,759	50,759
Deficit, other comp income (loss)	(568,679)	(636,428)	(655,433)	(672,364)
Shareholder Equity	1,023,483	1,024,104	1,030,714	1,097,745
Total Liabilities + Equity	504,486	438,435	426,040	476,140

Source: Raymond James Ltd., Denison Mines Corp.

Exhibit 55: Financial and Operational Snapshot of Denison Mines

Denison Mines Corp.

Rating:	**Market Perform 3**	DML-T	
6-12 Mth Target	**C$ 1.80**	NAV	$1.95
Projected Return:	**35.3%**	**YR-END:**	**Dec 31**

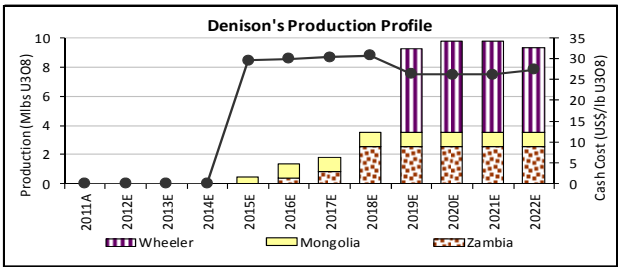
Investment Thesis
- A more focused company, post sale of producing U.S. assets to Energy Fuels
- Controlling interest in Wheeler River - one of the best uranium discoveries this cycle
- Strong exploration upside in Canada, Mongolia and Zambia

Key Attributes:
- One of few Canadian companies operating in Northern Saskatchewan
- Fully permitted for production (likely open pit) in Zambia
- 22.5% interest in the scalable, state-of-the-art, high-grade-ready McClean Lake mill
- Operator of Uranium Participation Corp., the world's only physical U fund

Key Concerns
- Denison does not have direct control over Canadian assets due to minority interests
- Permitting risk in Saskatchewan and Mongolia; financing risk

	Interest (%)	Tonnes ('000 t)	Grade (% U3O8)	U3O8 ('000lbs)	Denison ('000lbs)
Probable Reserves					
McClean (Ore Stockpile)	23%	94	0.37%	751	169
Measured & Indicated					
Caribou	23%	40	3.13%	2,724	613
Sue D	23%	123	1.05%	2,840	639
McClean North	23%	207	2.75%	12,549	2,823
Midwest	25%	354	5.50%	42,900	10,800
Midwest A	25%	464	0.57%	5,800	1,460
Phoenix	60%	90	18.00%	35,638	21,383
Hairhan (Mongolia)	66%	12,261	0.07%	19,780	13,055
Mutanga (Zambia)	100%	10,300	0.03%	7,800	7,800
	45%	23,838	0.25%	130,031	58,573
Inferred					
Sue E	23%	483	0.69%	7,300	1,643
Sue D	23%	24	0.39%	209	47
McClean North	23%	3	0.79%	58	13
Midwest	25%	25	0.80%	400	101
Midwest A	25%	9	21.23%	4,300	1,082
Phoenix	60%	24	7.30%	3,811	2,287
Hairhan (Mongolia)	66%	5,536	0.05%	5,811	3,835
Mutanga (Zambia)	100%	68,500	0.03%	42,100	42,100
	80%	74,605	0.04%	63,989	51,108
Total 43-101	56%	98,537	0.09%	194,771	109,850
Total 43-101 in Canada	36%	1,940	2.79%	119,280	43,060
Historic	74%	164,725	0.06%	215,298	159,052
Global Resources	**66%**	**263,262**	**0.07%**	**410,069**	**268,902**

Operating Summary	**2011A**	**2012E**	**2013E**	**2014E**	**2015E**
U3O8 (mln lb)	0.0	0.0	0.0	0.0	0.4
Total Cash Costs ($/lb)	0.0	0.0	0.0	0.0	29.5
EV/Prodn U3O8	nm	nm	nm	nm	$1,196



RAYMOND JAMES LTD. RESEARCH
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Reporting currency: **USD** **18-Jul-12**

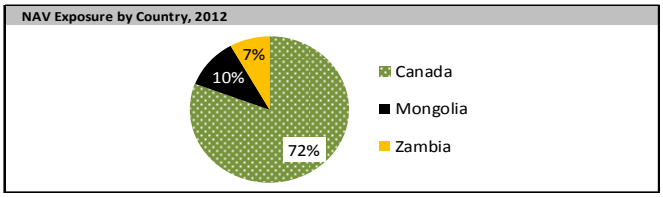
Market Statistics			
Share Price	C$ 1.33	Shares Basic (mln)	384.7
52 Week High	2.08	Shares Fully Diluted (mln)	391.3
52 Week Low	0.87	Adj. Shares used in NAV calc (mln)	391.3
Market Cap. (mln)	512	Avg Daily Volume:	788,510
Enterprise Value (mln)	494	Annualized Dividend	$0.00
Total model'd lb. in DCF (mln)	107.8	Div Yield %	0.0%

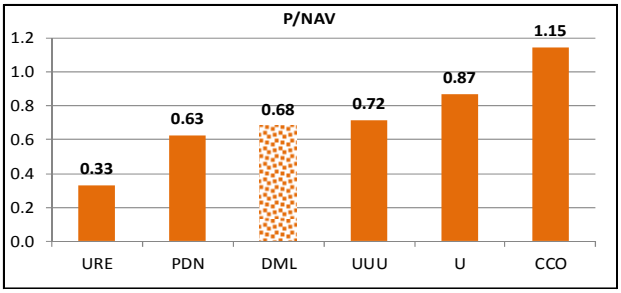
Financial Metrics	**2011A**	**2012E**	**2013E**	**2014E**	**2015E**
Cash ($ mln)	53.5	23.6	0.0	0.0	0.0
Working capital ($ mln)	93.5	67.8	44.2	44.2	44.2
Current ratio (x)	9.3	6.4	4.6	4.6	4.6
LT Debt ($ mln)	1.1	1.1	1.1	1.1	1.1
Common Equity (mln)	454.8	387.7	375.3	425.4	621.6
Price/book (x)	1.0	1.2	1.3	1.2	1.0
LTD/(LTD + Equity)	0.2%	0.3%	0.3%	0.3%	0.2%
ROE	-16%	-19%	-5%	-4%	-1%
ROIC	-14%	-17%	-4%	-4%	-1%

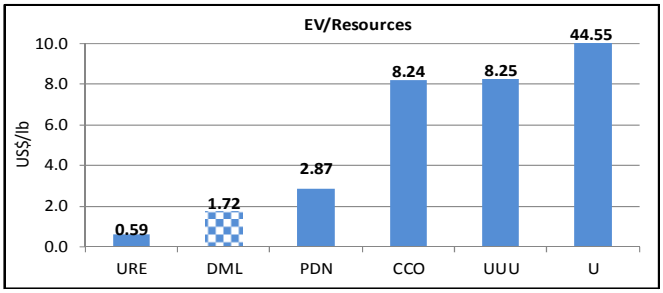
Earnings/Cash Flow	**2011A**	**2012E**	**2013E**	**2014E**	**2015E**
RJ Uranium Forecast US$/lb	57.09	53.50	63.00	72.50	75.00
Revenue ($mln)	96.8	56.0	18.4	19.3	49.2
EBITDA ($mln)	-65.8	-69.4	-17.0	-14.9	2.8
EBITDA margin	-0.7	-1.2	-0.9	-0.8	0.1
EV/EBITDA (x)	nm	nm	nm	nm	178.7
EBIT ($mln)	-71.9	-73.6	-19.0	-16.9	-2.9
Adj. Net earnings ($mln)	-70.9	-72.9	-19.0	-16.9	-4.3
Adj. EPS ($/sh)	-0.13	-0.07	-0.05	-0.04	-0.01
P/E (x)	nm	nm	nm	nm	nm
Operating Cash Flow ($mln)	-20.0	-23.0	-17.0	-14.9	1.4
CFPS ($/sh)	-0.05	-0.06	-0.04	-0.04	0.00
P/CF (x)	nm	nm	nm	nm	522.6
Capex ($mln)	-24.3	-7.4	-13.2	-52.1	-201.9

Unfunded Valuation (C$)	**C$'000**	**$/share**	**% of Total Assets**
Financial			
Working Capital (1Q12A)	87.8	0.22	11.5%
Additional Capital	12.2	0.03	1.6%
LT Liabilities	(1.1)	(0.00)	-0.1%
SG&A	(52.7)	(0.13)	-6.9%
	46.3	0.12	6.1%
Operational			
McClean Lake Mill (replacement)	213.8	0.55	28.0%
Wheeler River (DCF; 8%)	230.4	0.59	30.2%
Cdn Expl Assets ($/lb, cost)	106.0	0.27	13.9%
Gurvan Saihan, Mongolia (DCF; 8%)	75.9	0.19	10.0%
Mutanga, Zambia (DCF; 8%)	55.6	0.14	7.3%
	716	1.83	93.9%
NAV	**762**	**1.95**	**100%**

Valuation Measures	**Implied Target Multiple**	**Current Multiple**
Price/NAVPS	0.9	0.7
Price/2013E CFPS (x)	nm	nm
Target Price C$:	**C$ 1.80**	







Source: Raymond James Ltd., UxC, Thomson One, Capital IQ, Denison Mines Corp

Paladin Energy

July 26, 2012
Company Report

PDN-TSX | PDN-ASX

David Sadowski | 604.659.8255 | david.sadowski@raymondjames.ca

Mining | Uranium

Show-Me Story Starting to Show

Event

We are resuming research coverage of Paladin Energy with a $1.80 target and an Outperform rating.

Recommendation

We recommend investors buy Paladin on ramping production and improving consistency at Langer Heinrich, Namibia and Kayelekera, Malawi.

Analysis

'Show Me' Story Starting to Show. Inconsistent execution since mid-2010 has led to some investor fatigue and lower multiples, but recent success suggests operations are starting to turn around. On July 13, Paladin announced record quarterly output of 2.0 Mlbs in F4Q12A (June 30, 2012), including 99.6% combined nameplate production rates in May and June. Sales were a record 2.24 Mlbs, which should support an improvement in high costs; we see US$34/lb, -6% q/q.

Growth and Optimization. Paladin guided for FY2013 guidance of 8.0 Mlbs – 8.5 Mlbs (+16% – 23% y/y). We model 8.1 Mlbs, growing to 8.6 Mlbs in FY2014E. We see cash costs dropping to US$32/lb in 2013E and US$30/lb in 2014E on process optimization and corporate cost-cutting.

Partnerships Positive. Paladin is negotiating with several parties to form partnerships at some of the company's non-producing Australian assets. If valuation is reasonable, we view prospective farm-outs as positive, given the opportunity for a cash infusion into Paladin and greater likelihood of development with a potentially energetic, well-funded partner. We ascribe US$239 mln at Mt. Isa, US$192 mln at Manyingee, and US$37 mln at Bigrlyi.

Takeout Potential. As the only major producer with no major equity control blocks, Paladin has been viewed as one of the more likely takeout candidates in the space. Attaining consistent performance should bolster this view further, in our view.

Pile of Debt. We estimate Paladin has ~US$175 mln in cash and US$936 mln in outstanding debt, following a US$274 mln bond issue in May 2012. Roughly US$134 mln matures in March 2013, which the company should be able to meet internally.

Relative Valuation. Paladin's P/NAV of 0.63x appears attractive relative to mid-tier producer peer Uranium One at 0.72x, and far below Paladin's historical, pre-Fukushima levels of 1.31x. The company trades at an EV/lb of US$2.87 for its 543 Mlbs, a large discount to global producers at US$4.74/lb.

Valuation

Our target is based on a 1.0x P/NAV applied to our C$1.79 NAVPS (8%). Please see our Valuation & Recommendation section for further details.

EPS		1Q Sep	2Q Dec	3Q Mar	4Q Jun	Full Year	Revenue (mln)	NAVPS
	2011A	US$(0.01)	US$(0.03)	US$(0.02)	US$(0.02)	US$(0.08)	US$269	
Old	2012E	(0.03)A	0.00A	(0.02)A	NA	NA	NA	NA
New	**2012E**	**(0.03)A**	**0.00**	**(0.02)**	**(0.01)**	**(0.06)**	**367**	**1.79**
Old	2013E	NA	NA	NA	NA	NA	NA	NA
New	**2013E**	**(0.01)**	**0.01**	**0.00**	**0.01**	**0.01**	**476**	**NA**

Source: Raymond James Ltd., Thomson One

Rating & Target

	Outperform 2
Target Price (6-12 mos): Old: UR	New: C$1.80
Current Price (Jul-18-12)	C$1.12
Total Return to Target	42%
52-Week Range	C$2.85 - C$1.07

Market Data

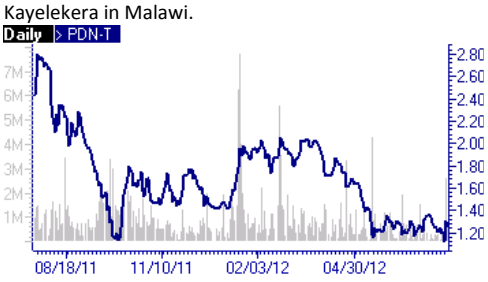
Market Capitalization (mln)	C$1,061
Current Net Debt (mln)	US$634
Enterprise Value (mln)	C$1,702
Shares Outstanding (mln, basic)	835.4
10 Day Avg Daily Volume (000s)	567
Dividend/Yield	nm/nm

Key Financial Metrics

	2011A	2012E	2013E
P/E	NM	nm	146.6x
P/NAV		0.6x	NA
CFPS			
Old	US$(0.14)	NA	NA
New	US$(0.14)	US$(0.10)	US$0.07
Working Capital (mln)			
Old	US$210.5	NA	NA
New	US$210.5	US$182.5	US$79.7
Capex (mln)			
Old	US$(129.4)	NA	NA
New	US$(129.4)	US$(67.0)	US$(29.5)
Long Term Debt (mln)			
Old	US$719.7	NA	NA
New	US$719.7	US$888.6	US$754.6
Production (Mlbs)			
Old	5.7	NA	NA
New	5.7	6.9	8.1
Cash Costs (US$/lb)			
Old	US$35.3	NA	NA
New	US$35.3	US$34.7	US$31.2
Total Resource (Mlbs)			543.00
Shares Outstanding (mln, f.d.)			961.3

Company Description

Paladin is a rapidly growing uranium producer with core projects in Africa and Australia. The company's flagship projects are Langer Heinrich in Namibia and Kayelekera in Malawi.

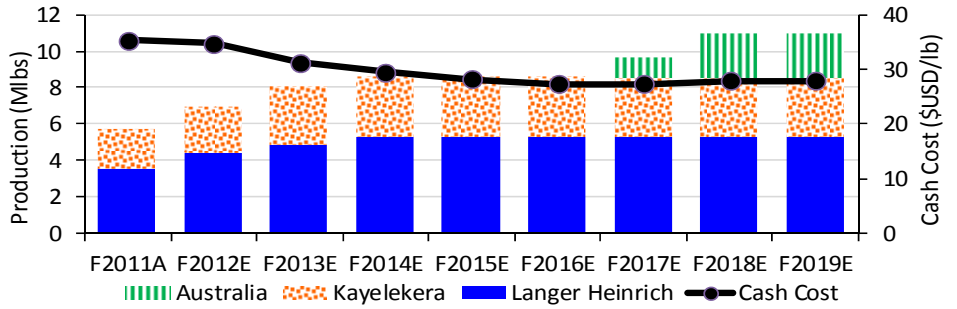


Investment Overview

Established and Growing Mines. In FY2012A (ended June 30, 2012), Paladin produced 6.9 Mlbs from its two mines, Langer Heinrich (4.4 Mlbs; 100%-interest) and Kayelekera (2.5 Mlbs; 85%-interest) and sold 7.4 Mlbs. Cash costs in F3Q12A were US$36/lb (full-year costs are not yet reported).

For FY2013, Paladin guides to production of 8.0 Mlbs – 8.5 Mlbs, a healthy 16% – 23% y/y increase. We project both mines will maintain steady nameplate capacity by calendar year-end – Kayelekera reached nameplate production in June 2012, while Langer should soon gain the full, optimized benefit of new heat exchangers, NIMCIX circuit, and other components. Given results from the Stage IV feasibility study – which envisions 8.7 Mlbs/year conventional, plus 1.3 Mlbs/year heap leach of lower grade material – have been deferred to year-end (pending clarity on success of Stage III ramp-up), we have excluded the Stage IV expansion from our model.

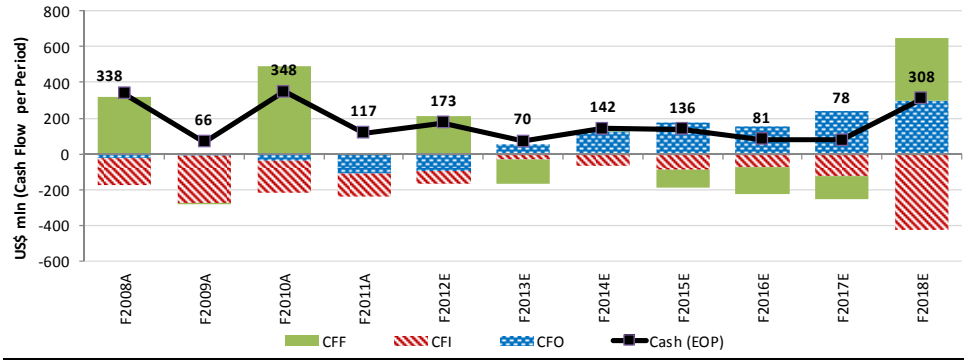
Exhibit 56: Production and Cash Costs Profile



Source: Raymond James Ltd., Paladin Energy

Capex at Mines Substantively Complete. After spending ~US$0.75 bln on project development, Paladin announced following F3Q12A that it had completed major capex on the current phases of Langer and Kayelekera. Working capital expenditure will also be reduced now that inventories are near levels required for future contracts (Paladin targets four months of inventory). As stated above, we model no further expansions, which should bolster the company's near-term ability to service its debt (note our modeled payback in FY2013E, FY2015E and FY2016E in Exhibit 57; further details in Potential Concerns section).

Exhibit 57: Projected Cash Flows and EOP Cash for Paladin



Source: Raymond James Ltd., Paladin Energy

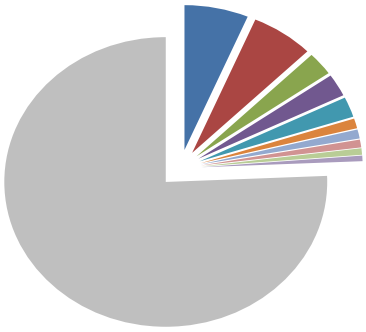
Pipeline Production. We believe that although the outlook for Paladin's pipeline projects is less certain, these assets – with significant resources of 327 Mlbs at 0.08% – should receive more attention with the company's active mines nearly ramped up and potential sales of partial stakes in non-producing assets. We model start-up of 91%-interest Mt. Isa (W. Australia) in FY2017E, contributing 2.4 Mlbs at mid-US$30s cash costs with LOM capital costs of US$375 mln (ascribed US$236 mln, 8% NPV).

At Michelin (Labrador), we project a significant open pit/underground operation starting in FY2020E and producing 6.0 Mlbs/year at sub-US$40s cash costs and capex of US$1.2 bln (US$190 mln, 8% NPV); the Inuit government of Labrador lifted the three-year uranium mining moratorium in March 2012. We model US$350 in notional debt to fund development (details below).

We apply a risked US$/lb to each of Paladin's other non-core projects (collectively, US$351 mln). Within this group, we highlight the 24.0 Mlbs Manyingee ISR project (Australia), which Paladin now flags as next in line for development (initial guidance is 1 Mlbs/year reached in FY2018E) and Angela/Pamela (Australia), a promising 50/50 JV with Cameco, but which has stalled on local opposition (support was pulled in September 2010). Northern Territory's generally pro-uranium mining stance suggests to us that a license is inevitable.

No Major Equity Control Blocks. Paladin remains one of the only big uranium producers with no major equity control blocks (see Exhibit 58), unlike its peers and their strategic partners, Uranium One (51.4% ARMZ), Energy Resources of Australia (68.4% Rio Tinto), and producer until recently, Denison Mines (15.1% Kepco). We believe this bolsters takeout potential. One example highlighting the prevalence of this view would be Bloomberg's article titled "Nuclear Resurgence Seen Luring Paladin Offers: Real M&A" published online on July 19. The article highlights Paladin's attractiveness for potential M&A given its cheap valuation as well as the positive news of Japan restarting its idled nuclear reactors.

Exhibit 58: Paladin Major Shareholders



	Shares	%
L1 Capital	53,534,420	6.4%
Newmont Mining	52,097,937	6.2%
Borshoff (John)	21,877,394	2.6%
Fidelity	20,894,092	2.5%
Global X	18,813,218	2.3%
MLC	9,269,294	1.1%
Dimensional	8,413,719	1.0%
I.G.	7,287,500	0.9%
AMP	6,045,554	0.7%
NBIM	5,136,435	0.6%
Others	632,275,727	75.7%
	835,645,290	**100.0%**

Source: Raymond James Ltd., Thomson One

Good Spot Price Exposure. Paladin has consistently biased towards market-related pricing in its contracts, which provides good exposure for investors to movements in uranium spot and term pricing. On average, over the next few years, we estimate Paladin to be in the middle of our covered producer group on realized prices at US$63/lb in CY2013E (vs. Cameco at US$57/lb and Uranium One at US$61/lb); US$69/lb in CY2014E (vs. US$62/lb and US$71/lb) and US$71/lb in CY2015E (vs. US$65/lb and US$75/lb). Our NAV sensitivity is shown in Exhibit 59 below.

Exhibit 59: NAVPS Sensitivity to Changing Discount Rates and Uranium Prices

Discount Rate	U3O8 Price (US$/lb)								
	-40%	-30%	-20%	-10%	RJL LT	+10%	+20%	+30%	+40%
	42	49	56	63	**70**	77	84	91	98
15%	0.75	0.76	0.77	0.82	0.92	1.10	1.31	1.53	1.79
12%	0.78	0.82	0.88	0.99	1.14	1.42	1.75	2.03	2.37
10%	0.80	0.87	0.98	1.14	1.40	1.76	2.17	2.52	2.92
8%	0.83	0.95	1.11	1.34	**1.79**	2.25	2.75	3.18	3.69
5%	0.89	1.09	1.38	1.98	2.72	3.38	4.11	4.74	5.47
3%	0.99	1.23	1.81	2.68	3.72	4.60	5.56	6.41	7.37
0%	1.11	1.69	2.92	4.49	6.31	7.75	9.32	10.73	12.29

Source: Raymond James Ltd.

Healthy Earnings Growth. We model strong adjusted EPS growth from FY2011A – 2015E on cost optimizations, production growth and our ramping price deck: -US$0.08, -US$0.06, US$0.01, US$0.08, US$0.15. We project the company to be back 'into the black' in F2Q13E (quarter ending December 2012).

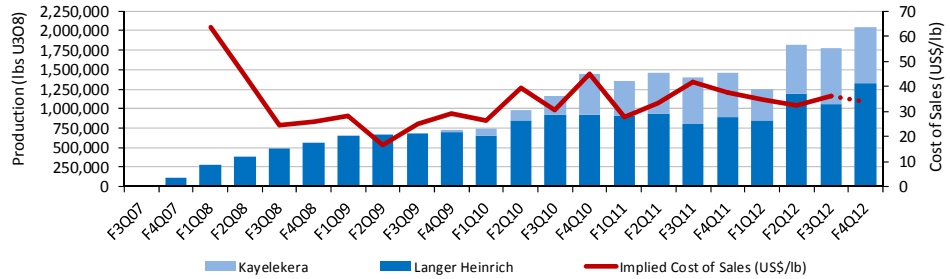
Exploration Upside. We view Paladin as proficient explorationists, having since 2007A expanded Measured and Indicated resources by a factor of four via exploration (at a cost of ~US$0.60/lb). Key areas to add further pounds include at Kayelekera (regional exploration on satellite prospects); Aurora (management targeting 180 Mlbs – 200 Mlbs within 'a couple field seasons' vs. our 175 Mlbs and current 120 Mlbs); and pipeline assets in Australia (e.g. proving up Manyingee's current 24.0 Mlbs JORC resource and building on Angela/Pamela resources, along strike).

Valuation Provides Opportunity. Paladin currently trades at 0.63x P/NAV – a discount vs. our producer peers averaging 0.83x, as well as the company's one-year, pre-Fukushima average of 1.31x. On an EV/lb basis, Paladin trades at US$2.87/lb, vs. global producer peers at US$4.74/lb. Once costs begin to come down and steady production is established – which we think has been demonstrated over the past few quarters – the stock should trade closer to its historic levels and current peer valuations and again begin to reflect a takeover premium. We view current price levels as an attractive entry point for investors looking to get the jump on wider recognition by the market.

Potential Concerns

Inconsistent Production. We believe inconsistent quarterly production (see Exhibit 60) over the past few years has led to some investor fatigue, resulting in a discounted valuation. Negative surprises have resulted from various factors, including general struggles with de-bottlenecking and optimizing feed and the processing stream, but also events that were largely out of Paladin's control, such as labour strikes and inclement weather at both mines, drought in Erongo (Langer), a severe land slip and acid shortages at Kayelekera, and diesel supply disruptions in Malawi. In the most recent three quarters, we believe Paladin has finally cleared the last of these major hurdles and steady nameplate output is on the horizon; that said, as stated above, our view is that the market will continue to apply discounted multiples until several quarters of steady and improved output are demonstrated.

Exhibit 60: Quarterly Production and Costs at Kayelekera and Langer



Source: Raymond James Ltd., Paladin Energy; Note: F4Q12 costs are RJL Estimated

Costs Remain High. With nameplate production levels nearly reached, focus has switched to reducing costs at the mines and on a corporate level. At Kayelekera, cash costs were US$47/lb in F3Q12A; Paladin aimed to reduce this level to the 'low-US$40s' by mid-2012 (i.e., F4Q12E) and optimize below US$40/lb with further throughput increases, a recently restructured mining contract, and installation of a steam turbine by year-end 2013E. The May 2012 decision by Malawi's government to devalue the kwacha 33% and un-peg it from the US dollar should also put downward pressure on locally-denominated costs at Kayelekera, particularly if the currency continues to drop relative to USD (Paladin expects a US$5 mln/year benefit). At Langer, cash costs were US$30/lb in F3Q12A and, with fixed costs representing approximately half of total costs, the company expects a return to the mid-US$20s (i.e., Stage II rates; FY2010A costs were US$26/lb) as throughputs pick-up.

We tend to be conservative on the speed with which Paladin will be able to lower cash costs; we model US$37/lb cash costs at Kayelekera in FY2013E, dropping to US$32/lb in the long-term, while at Langer, we see US$28/lb in FY2013E and reaching US$24/lb in FY2015E.

On the corporate level, amongst other cuts, Paladin lowered its global exploration budget by US$5 mln to US$16 mln for FY2012E and plans to maintain that level for FY2013E.

Debt-Laden Balance Sheet. Following a US$274 mln bond issue, we estimate Paladin has ~US$190 mln in working capital (~US$175 mln in cash). At March 30, 2012, total inventories were valued at US$313.8 mln. We estimate the company currently has US$936 mln in outstanding debt, including:

- US$300 mln in November 2010 3.6% convertible bonds (CBs), maturing November 2015 (convertible at US$5.61/share);
- ~US$134 mln remaining in March 2008 5.0% CBs, maturing March 2013 (convertible at US$6.52/share);
- US$274 mln in May 2012 6.0% CBs, maturing April 2017 (convertible at US$2.19/share);
- US$129.7 mln drawn under the Langer Stage III project facility expiring June 2017;
- US$98 mln under the Kayelekera credit facility, expiring March 2015.

Our annual interest burden for the next three financial years is ~US$40 mln. We treat all these facilities as 'debt' in our model, save for the May 2012 bonds (given a reasonable conversion price).

Debt Outlook. Paladin plans to settle March 2008 bonds (due March 2013) using the existing balance sheet and internal cash flow, with the difference made up by divesting certain non-core assets as outlined below. We believe the recent US$274 mln bond sale provides sufficient cash to avoid a fire sale before March 2013. Our concern centers on a

total of US$398 mln in debt maturing CY2015E and capital required for Michelin. Based on our current estimates of future cash flows, we believe the company will issue additional bonds, as outlined in the table below (we do not include these notional bonds or their interest payments in our NAV).

Exhibit 61: RJL Debt Assumptions for Paladin

Long-term Debt Instrument *US$ mln*	Currently Available	Currently Outstanding	Assumed Interest	Estimated Maturity	Treatment in RJL NAV Estimate
Convertible Bonds (issued Mar-'08; 'current' per maturity)	325	134	5.0%	Mar-13 (FY)	Debt
Convertible Bonds (issued Nov-'10)	300	300	3.6%	Nov-15 (FY)	Debt
Convertible Bonds (issued May-'12)	274	274	6.0%	Apr-17 (FY)	Equity
Kayalekera Credit Facility	167	98	5.0%	Jun-15 (FY)	Debt
Langer Stage III Credit Facility	141	130	4.1%	Jun-17 (FY)	Debt
Notional (to settle Nov-'10 bonds; issued C3Q15E)	150	0	6.0%	Aug-20 (FY)	Excluded
Notional (Michelin funding; issued FY'18E)	350	0	6.0%	Dec-22 (FY)	Excluded
Current LT Debt	1,207	936			
Total Debt (incl. RJL notional)	1,707	936			

Source: Raymond James Ltd., Paladin Energy

Asset Sale(s) Looming. With its F4Q11 results, Paladin announced it was looking at selling partial stakes in some non-producing projects to boost liquidity. We have subsequently learned that as many as three deals are expected within the next "three or four months" (Bloomberg, June 22, 2012) and that at least some Australian assets are in play, while Aurora is unlikely to be monetized in the near-term. Australia comprises 24% of the project portion of our NAV (vs. Namibia at 48%, Malawi at 18%, and Canada at 8%). While we are cautious on the amount of cash that Paladin may be able to immediately realize (with current spot prices and market sentiment), we believe the addition of new strategic partners could accelerate the timeline to their development.

Potential Catalysts

Potential milestones for the company this calendar year include:

- Start-up of in-fill and extension drilling at Aurora, Canada in 3Q12;
- F4Q12 financial results at the end of August 2012 – we will be looking for improved cash costs at Langer and Kayelekera;
- Update on minority interest farm-outs of select non-producing assets (likely Australia) in 4Q12;
- Results from Stage IV feasibility by year-end (or early 2013).

The Quarter Ahead

Paladin released operational results for F4Q12E on July 13, 2012. Total production was 2.05 Mlbs on the quarter (a record) and 6.89 Mlbs on the year, slightly missing guidance of 6.96 Mlbs. Langer bounced back from some earlier Stage III commissioning issues, while Kayelekera rebounded from a seven-day strike in May to reach nameplate levels in June (266 klbs). Quarterly sales were reported in-line with post-F3Q12 guidance at 2.24 Mlbs at US$56/lb for revenues of US$125.5 mln – also a record for the company.

We expect these strong sales, along with Paladin's on-going cost optimization program, to underpin a further improvement in costs, particularly at Langer, where a return to sub-US$30/lb cash costs is likely. On the quarter, we project net earnings of -US$6.0 mln or -US$0.01/share. We expect financial results to be released by the end of August 2012.

Valuation and Financials

Exhibit 62: RJL NAV Summary for Paladin Energy

Unfunded NAV Valuation	C$mln	C$/fd.sh.	%
Corporate			
Working Capital (F3Q12A)	184	0.19	10.7%
Options & Warrants	2	0.00	0.1%
LT Liabilities (+PV of interest)	(793)	-0.82	-46.1%
SG&A (NPV, 8%)	(100)	-0.10	-5.8%
Future Equity Dilution	0	0.00	0.0%
	(706)	-0.73	-41.1%
Projects			
Langer Heinrich (DCF, 8%)	1,124	1.17	65.4%
Kayelekera (DCF, 8%)	509	0.53	29.6%
Mt. Isa (DCF, 8%)	252	0.26	14.6%
Aurora (DCF, 8%)	190	0.20	11.1%
Manyingee ($/lb)	192	0.20	11.2%
Bigrlyi ($/lb)	37	0.04	2.2%
Niger Assets ($/lb)	46	0.05	2.7%
Angela and Pamela ($/lb)	26	0.03	1.5%
Other ($/lb)	50	0.05	2.9%
	2,425	2.52	141.1%
	1,719	**1.79**	**100.0%**
Fully Diluted Sh. (mln)		961.3	

Source: Raymond James Ltd.

We have an Outperform rating and $1.80 target on Paladin. Our target is based on a 1.0x P/NAV applied to the project component of our unfunded C$1.79 NAVPS (8%; see Exhibit 62). Unlike our other covered producers, we believe the exclusive use of P/NAV better reflects the value of the company's assets and growth potential, until operations reach consistent levels of cash flow. Our P/NAV multiple reflects the historical trading ranges of producer equities, adjusted for Paladin's company-specific risk (and is conservative compared to our pre-Fukushima average Paladin multiple of 1.31x)

Paladin currently trades at US$2.87/lb for the company's 543 Mlbs in 43-101 resources, a discount vs. our global producer peers at US$4.74/lb. On an EV/lb 2013E production, the company trades at US$196/lb vs. Cameco and Uranium One at US$400/lb and US$209/lb. Using our preferred method of valuation, P/NAV, Paladin trades at 0.63x, below its closest producer peer Uranium One, at 0.72x. These metrics support our view that the stock is currently under-valued.

Exhibit 63: Financial Statements

US$000s (Fiscal year-end Jun-30)	2011A	2012E	2013E	2014E
Income Statement				
Revenue	268,900	367,055	475,468	572,489
Operating Expenses	(186,100)	(245,639)	(272,349)	(276,289)
SG&A, Forex	(57,000)	(48,900)	(40,000)	(40,000)
Mineral Write-offs	0	0	0	0
Other	(94,800)	(222,200)	(19,000)	(14,000)
EBITDA	(69,000)	(149,684)	144,119	242,200
DD&A	(36,100)	(45,577)	(54,335)	(57,219)
EBIT	(105,100)	(195,261)	89,784	184,981
Interest income (expense)	(36,400)	(38,146)	(42,558)	(37,533)
Tax recovery (expense)	16,600	66,941	(40,850)	(76,764)
Net Income	(124,900)	(166,465)	6,377	70,684
Weighted Avg. S/O ('000s)	744,055	834,821	834,821	835,571
Adjusted EPS (US$/sh; basic)	(0.08)	(0.06)	0.01	0.08
Cash Flow				
Operating	(102,000)	(102,000)	60,712	127,902
Investing	(132,500)	(132,500)	(29,511)	(58,229)
Financing	1,300	1,300	(134,000)	1,842
Net Change in Cash (net FX)	(230,500)	(231,600)	(102,799)	71,515
CFPS (US$/sh; w/o WC)	(0.14)	(0.10)	0.07	0.15
Cash (EOP)	117,400	173,200	70,401	141,916
Balance Sheet				
Current Assets	329,400	432,600	329,801	401,316
Non-current Assets	2,074,300	1,994,134	1,969,311	1,970,321
Total Assets	2,403,700	2,426,735	2,299,112	2,371,637
Current Liabilities	118,900	250,100	250,100	250,100
Non-current Liabilities	929,600	948,200	814,200	814,200
Total Liabilities	1,048,500	1,198,300	1,064,300	1,064,300
Deficit, other comp income (loss)	(701,800)	(845,665)	(839,288)	(768,605)
Shareholder Equity	2,057,000	2,074,100	2,074,100	2,075,942
Total Liabilities + Equity	2,403,700	2,426,735	2,299,112	2,371,637

Source: Raymond James Ltd., Paladin Energy

Exhibit 64: Financial and Operational Snapshot of Paladin Energy Ltd.

Paladin Energy Ltd.

Rating:	**Outperform 2**	**PDN-T**	
6-12 Mth Target:	**C$ 1.80**	**NAV:**	**$1.79**
Projected Return:	**60.7%**	**YR-END:**	**Jun 30**

Investment Thesis
- Emerging international uranium producer with core projects in Africa (Namibia, Malawi) and Australia
- Medium risk, good growth profile; large, high grade resources, mined open pit
- On track to produce more than 8 mln lbs U3O8/yr in CY2013E

Key Attributes:
- Strong management team led by John Borshoff
- Numerous advanced-staged projects in Australia (incl. JV with Cameco)
- Kayelekera and Stage III expansion at Langer Heinrich substantially complete, offer further upside
- Combined resources total more than 540 mln lbs U3O8

Key Concerns
- Ramp-up at Kayelekera
- Cost optimization at both operating projects and on corporate level
- High debt levels

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Reporting currency: USD **18-Jul-12**

Market Statistics			
Share Price	C$ 1.12	Shares Basic (mln)	835.4
52 Week High/Low	2.85/1.07	Shares Fully Diluted (mln)	961.3
		Adj. Shares used in NAV calc (mln)	961.3
Market Cap. (mln)	$936	Avg Daily Volume:	7,086,220
Enterprise Value (mln)	$1,577	Dividend	$0.00
Total model'd lb in DCF (mln)	397.5	Div Yield %	0.0%

Financial Metrics	**F2011A**	**F2012E**	**F2013E**	**F2014E**	**F2015E**
Cash	117.4	173.2	70.4	141.9	136.5
Working capital	210.5	182.5	79.7	151.2	145.8
Current ratio (x)	2.8	1.7	1.3	1.6	1.6
LT Debt	719.7	888.6	754.6	754.6	656.6
Common Equity	1355.2	1228.4	1234.8	1307.3	1428.7
Price/book (x)	0.6	0.8	0.8	0.7	0.7
LTD/(LTD + Equity)	34.7%	42.0%	37.9%	36.6%	31.5%
ROE	-9%	-14%	1%	5%	8%
ROIC	-5%	-7%	0%	3%	5%

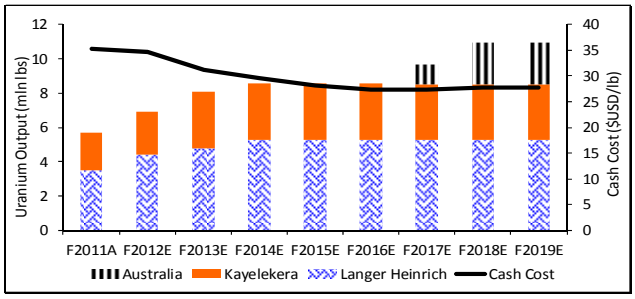
Reserves & Resources	**Int**	**Tonnes**	**Grade**	**U3O8**	**PDN's**
	(%)	('000)	(% U3O8)	(Mlbs)	U3O8
2P Reserves (incl. Stockpiles)					
Kayelekera	85%	12,769	0.10%	27.6	23.5
Langer Heinrich	100%	109,203	0.05%	131.6	131.6
	97%	121,972	0.06%	159.2	155.1
M+I Resources (ex-2P Reserves)					
Aurora	100%	40,175	0.09%	83.8	83.8
Kayelekera	85%	9,730	0.06%	12.5	10.6
Langer Heinrich	100%	16,720	0.05%	18.3	18.3
Bigrlyi	42%	4,668	0.14%	14.0	5.9
Manyingee	100%	7,869	0.10%	17.8	17.8
Mount Isa	90%	64,800	0.07%	106.2	95.8
	92%	143,962	0.08%	252.6	232.2
Inferred Resources					
Aurora	100%	29,053	0.08%	53.0	53.0
Kayelekera	85%	6,493	0.06%	8.9	7.6
Langer Heinrich	100%	18,633	0.06%	24.2	24.2
Agadez	100%	23,205	0.02%	10.9	10.9
Bigrlyi	42%	2,781	0.11%	6.9	2.9
Angela	50%	10,700	0.13%	30.8	15.4
Manyingee	100%	5,500	0.05%	6.2	6.2
Mount Isa	87%	32,200	0.06%	40.7	35.5
	86%	128,565	0.06%	181.7	155.7
Total Resources	**91%**	394,498	0.07%	593.5	543.0
EV/lb Global Resources		**2.87 US$/lb**			
EV/lb M+I Resources		**4.02 US$/lb**			
EV/lb Reserves		**10.05 US$/lb**			

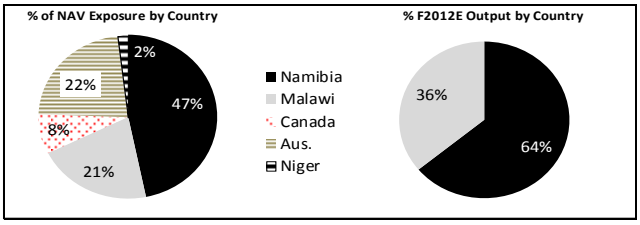
Earnings/Cash Flow	**F2011A**	**F2012E**	**F2013E**	**F2014E**	**F2015E**
RJ Uranium Forecast US$/lb	51.73	55.30	58.25	67.75	73.75
Revenue ($mln)	268.9	367.1	475.5	572.5	612.4
EBITDA ($mln)	-69.0	-149.7	144.1	242.2	304.1
EBITDA margin	-0.3	-0.4	0.3	0.4	0.5
EV/EBITDA (x, adjusted to C$)	nm	nm	10.9	6.5	5.2
EBIT ($mln)	-105.1	-195.3	89.8	185.0	246.9
Net earnings ($mln)	-124.9	-166.5	6.4	70.7	121.3
EPS (US$)	-0.08	-0.06	0.01	0.08	0.15
P/E (x)	nm	nm	146.6	13.2	7.7
Operating Cash Flow ($mln)	-102.0	-87.4	60.7	127.9	178.5
CFPS (US$)	-0.14	-0.10	0.07	0.15	0.21
P/CF (x)	nm	nm	15.4	7.3	5.2
Capex ($mln)	-129.4	-67.0	-29.5	-58.2	-86.0

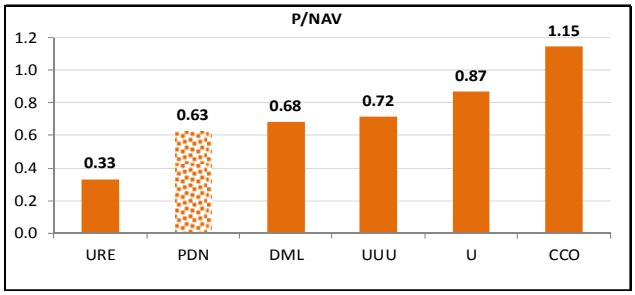
Operating Summary	**F2011A**	**F2012E**	**F2013E**	**F2014E**	**F2015E**
U3O8 (mln lb)	5.7	6.9	8.1	8.6	8.6
Total Cash Costs ($/lb)	35.3	34.7	31.2	29.5	28.1
EV/Prodn U3O8	$277	$229	$196	$183	$183

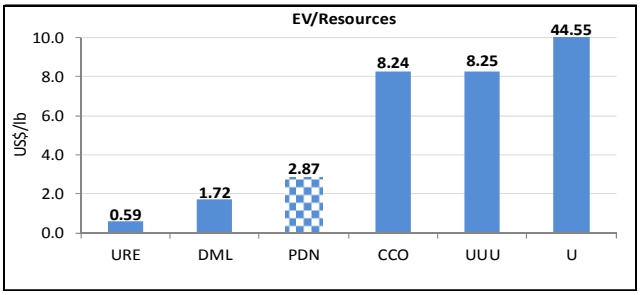
Valuation (Funded)	**C$ mln**	**$/share**	**% of NAV**
Langer Heinrich (DCF, 8%)	$1,124	$1.17	65%
Kayelekera (DCF, 8%)	$509	$0.53	30%
Mt. Isa (DCF, 8%)	$252	$0.26	15%
Aurora (DCF, 8%)	$190	$0.20	11%
Manyingee ($/lb)	$192	$0.20	11%
Bigrlyi ($/lb)	$37	$0.04	2%
Niger Assets ($/lb)	$46	$0.05	3%
Angela and Pamela ($/lb)	$26	$0.03	2%
Other ($/lb)	$50	$0.05	3%
	$2,425	**$2.52**	**141%**
Working Capital (F3Q12A)	$184	$0.19	11%
Options & Warrants	$2	$0.00	0%
LT Liabilities (+PV of interest)	($793)	($0.82)	-46%
SG&A (NPV, 8%)	($100)	($0.10)	-6%
Future Equity Dilution	$0	$0.00	0%
	$1,719	**$1.79**	**100%**

Valuation Measures	**Implied Target Multiple**	**Current Multiple**
Price/F1900E NAVPS (x)	1.0	0.6
Price/F2015E CFPS (x)	8.4	5.2
Target Price C$:	**C$ 1.80**	









Source: Raymond James Ltd., UxC, Thomson One, Capital IQ, Paladin Energy

Ur-Energy Inc.

URE-TSX | URG-AMEX

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July 26, 2012

Company Report

Mining | Uranium

Well-Positioned in Wyoming - Production Next Year

Event

We are resuming research coverage of Ur-Energy Inc. with a $1.50 target and a Strong Buy rating.

Recommendation

We recommend Ur-Energy on its near-term permitting milestones, transition to development at Lost Creek, minimal capital requirements, lowest quartile opex, and attractive valuation.

Analysis

Near-term Production. Only one major permit is remaining at Ur-Energy's 100%-owned Lost Creek (LC), WY – the US Bureau of Land Management's (BLM) Plan of Operations. A record of decision is expected in 3Q12E, with commencement of construction shortly thereafter. We anticipate production start-up in 2H13E.

Minimal Lost Creek Financing Requirements. At Mar-31-12, Ur-Energy held C$36.5 mln in cash and equivalents. After corporate overhead and up-front LC capex (we model US$36 mln), we forecast a C$14 mln funding shortfall starting in 2Q13E. The company will also need a further US$13.25 mln pending successful close of its acquisition of Pathfinder (announced Jul-24-12, close expected in 1H13E). Ur-Energy is considering debt financing to meet some of these needs.

Growth Potential. We see potential for production to grow beyond the mine plan's current 1.1 Mlbs/year (we model 2.0 Mlbs/year peak output). Exploration upside on Ur-Energy's existing ground or at deposits elsewhere in Wyoming (i.e., M&A) could provide additional material for the LC plant, in our view. The back-end of the plant is over-designed at 2 Mlbs/year capacity.

Attractive Valuation. Ur-Energy currently trades at 0.33x P/NAV, a discount vs. its one-year pre-Fukushima average of 0.60x and peer Denison Mines, currently at 0.68x. On an EV/lb basis, the company trades at US$1.67/lb 43-101 resources or US$0.59/lb (inclusive of historic and disclosed 'potential' pounds), vs. US-focused uranium equities averaging US$1.38/lb.

Poised to Execute. Following our site visit last week, we came away impressed with the company's level of mechanical innovation and the rigour with which management has approached development planning. Although permitting delayed the original timeline, we now view Ur-Energy as the best-positioned company with near-term uranium production in the US.

Valuation

Our target is based on a 0.7x P/NAV applied to the project component of our C$2.02 NAVPS (8%). Please see our Valuation & Recommendation section for further details.

EPS		1Q Mar	2Q Jun	3Q Sep	4Q Dec	Full Year	Revenue (mln)	NAVPS
	2011A	C$(0.04)	C$(0.04)	C$(0.03)	C$(0.04)	C$(0.16)	C$0	
Old	2012E	(0.02)A	NA	NA	NA	NA	NA	NA
New	**2012E**	**(0.02)A**	**(0.02)**	**(0.02)**	**(0.02)**	**(0.07)**	**0**	**2.02**
Old	2013E	NA	NA	NA	NA	NA	NA	NA
New	**2013E**	**(0.02)**	**(0.02)**	**(0.02)**	**(0.01)**	**(0.07)**	**4**	**NA**

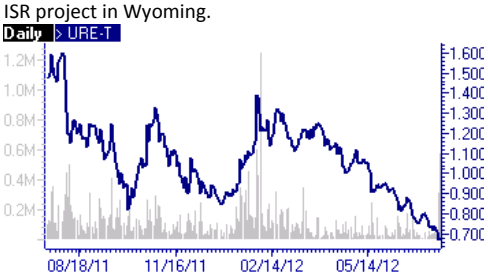
Source: Raymond James Ltd., Thomson One

Rating & Target	
Old: Under Review	New: **Strong Buy 1**
Target Price (6-12 mos): Old: UR	New: C$1.50
Current Price (Jul-18-12)	C$0.67
Total Return to Target	124%
52-Week Range	C$1.63 - C$0.65
Market Data	
Market Capitalization (mln)	C$81
Current Net Debt (mln)	-C$37
Enterprise Value (mln)	C$45
Shares Outstanding (mln, basic)	121.1
10 Day Avg Daily Volume (000s)	156
Dividend/Yield	nm/nm

Key Financial Metrics	2011A	2012E	2013E
P/E	nm	nm	nm
P/NAV		0.3x	NA
CFPS			
Old	C$(0.13)	NA	NA
New	C$(0.13)	C$(0.06)	C$(0.05)
Working Capital (mln)			
Old	C$23.0	NA	NA
New	C$23.0	C$11.6	C$5.4
Capex (mln)			
Old	C$(0.2)	NA	NA
New	C$(0.2)	C$(20.0)	C$(15.3)
Long Term Debt (mln)			
Old	C$0.0	NA	NA
New	C$0.0	C$0.0	C$0.0
Production (Mlbs)			
Old	0.0	NA	NA
New	0.0	0.0	0.1
Cash Costs (US$/lb)			
Old	US$0.0	NA	NA
New	US$0.0	US$0.0	US$31.5

Company Description

Ur-Energy is an exploration/development company focused primarily on uranium projects in the U.S. The company's flagship asset is its 100%-interest Lost Creek ISR project in Wyoming.



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Investment Overview

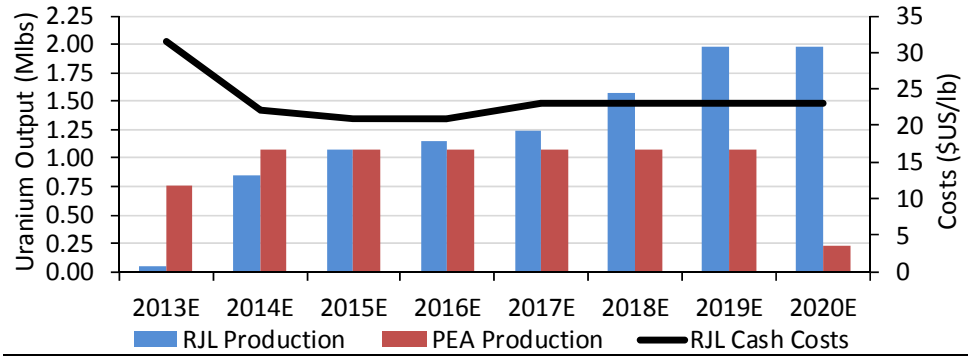
Lost Creek PEA and Our Estimates. In April 2012, Ur-Energy released an updated PEA for Lost Creek, which considers a 1.1 Mlbs/year ISL project, extracting 7.4 Mlbs (mostly from HJ and KM horizons) over an eight year mine life. Cash costs are projected to be excellent at US$16.12/lb – on par with some of the most efficient mines in Kazakhstan. We believe the company is likely to bulk up this reserve in support of a longer mine life and higher production rate, but this is offset somewhat by our more conservative take on cash costs at US$22.80/lb (see Exhibits 65 and 66). Our LOM capex is also higher as a result of capital for the satellite mining facilities needed to support higher production rates (not included in PEA). The PEA's NPV is exclusive of corporate income tax, but includes a 1.67% royalty on some ground, as well as gross products and severance taxes (~6.5%). Our NPV is shown with and without corporate tax.

Exhibit 65: Lost Creek PEA vs. Our Modeled Parameters

Parameter	Unit	Apr-2012 PEA	RJL	%Δ RJL vs. PEA
LT Uranium Price	US$/lb	80	70	-12.5%
Start-up	Date	Spring-'13	2H13E	nm
Mine Life	years	8	16	100.0%
Reserve	Mlbs	9.2	25.6	177.5%
Head grade	mg U3O8/L	42	43	2.4%
Peak Production	Mlbs/yr	1.1	2.0	86.7%
Up-front Capex	US$M	32	35	10.8%
Sustaining Capex	US$M	98	197	100.6%
Total Capex	US$M	130	232	78.7%
Cash Costs (LOM avg.)	US$/lb	16.12	22.80	41.4%
Total Costs (incl DDR)	US$/lb	36.52	32.43	-11.2%
Pre-tax NPV (8%)*	US$M	181	350	nm
Post-tax NPV (8%)*	US$M	n/a	227	nm
Pre-tax IRR	%	87%	70%	-19.5%
Post-tax IRR	%	n/a	59%	nm

Source: Raymond James Ltd., Ur-Energy Inc.

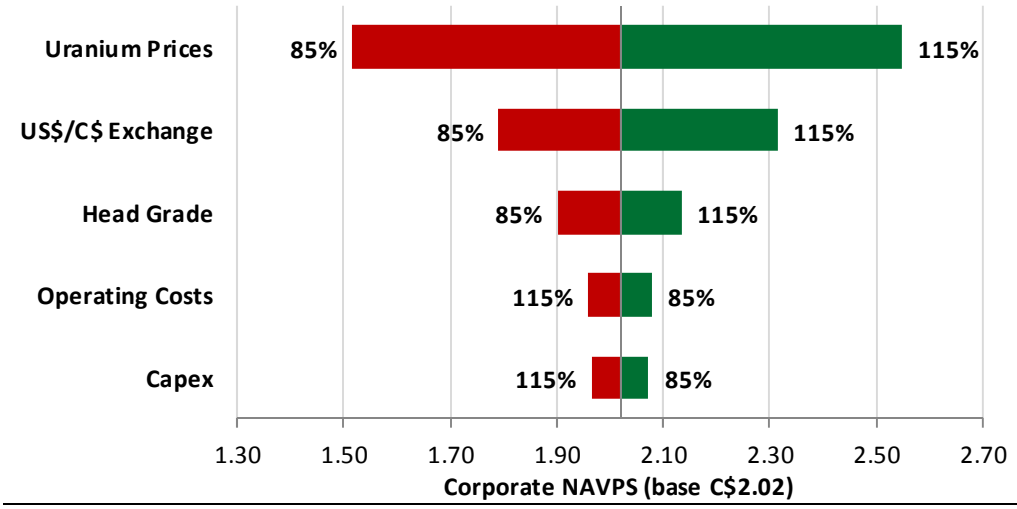
Exhibit 66: Lost Creek Production Profile (RJL vs. PEA)



Source: Raymond James Ltd., Ur-Energy Inc.

Our modeled NAV is most sensitive to changing assumptions for uranium prices and US$/C$ forex, and least sensitive to changing opex and capex.

Exhibit 67: RJL NAVPS Sensitivity to Changing Inputs at Lost Creek



Source: Raymond James Ltd.

Balance Sheet Leaves Minimal Uncovered Requirements at Lost Creek. At March 31, 2012, Ur-Energy held C$36.5 mln in cash and equivalents, C$36.0 mln in working capital, and no debt. We project a small funding shortfall of C$14 mln, starting in 1Q13E. For the time being, we exclude the US$13.25 mln acquisition of Pathfinder and requisite bond requirements from our model, pending clarity on potential debt financing (Ur-Energy stated it is currently in negotiations with several financial entities). To meet LC funding requirements, we forecast issuance of C$14 mln in new equity at C$1.50, in-line with our 6 – 12 month target price.

Costs Covered by Hedges, but Good Spot Exposure Remains. Ur-Energy has four sales contracts in place with three US utilities. Based on guidance from company management and limited disclosure to date, we estimate the agreements cover 50% – 60% of our projected sales for the first three years, with realized prices in the low- to mid-US$60s/lb. This hedging helps to de-risk the project by effectively covering the running costs of the mine during its ramp-up phase, with only a partial reduction in forecasted realized prices. For example, we forecast realized prices of US$69/lb in 2014E (vs. our US$72.50/lb price deck) and US$71/lb in 2015E (vs. US$75.00/lb).

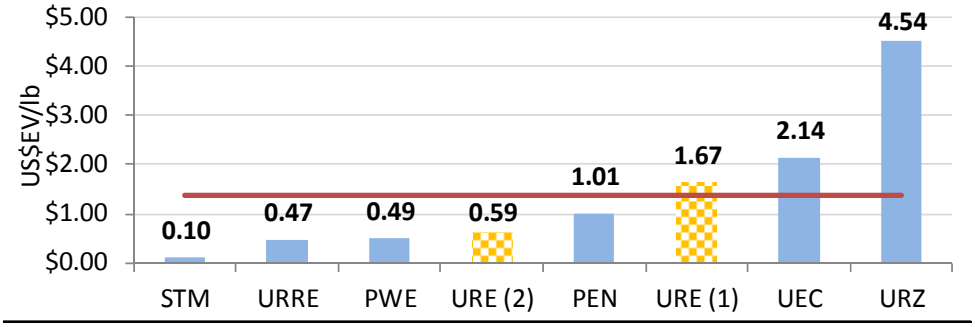
Exhibit 68: NAVPS Sensitivity to Changing Discount Rates and Uranium Prices

Discount Rate	U3O8 Price (US$/lb)								
	-40%	-30%	-20%	-10%	RJL LT	+10%	+20%	+30%	+40%
	42	49	56	63	**70**	77	84	91	98
15%	0.45	0.64	0.85	1.02	1.21	1.39	1.58	1.79	1.97
12%	0.52	0.76	1.02	1.25	1.48	1.73	1.97	2.23	2.46
10%	0.57	0.86	1.17	1.44	1.72	2.01	2.30	2.60	2.89
8%	0.64	0.98	1.36	1.69	**2.02**	2.37	2.71	3.08	3.41
5%	0.78	1.23	1.73	2.16	2.61	3.07	3.53	4.01	4.47
3%	0.90	1.46	2.05	2.59	3.14	3.70	4.26	4.85	5.41
0%	1.15	1.90	2.72	3.46	4.21	4.99	5.76	6.57	7.33

Source: Raymond James Ltd.

Attractive Valuation. On a P/NAV basis, Ur-Energy is currently the most discounted company in our coverage universe at 0.33x, and relative to the company's one-year pre-Fukushima average of 0.60x. On an US$EV/lb basis, the company trades at US$1.67/lb 43-101 compliant resources ("URE (1)" in Exhibit 69) or US$0.59/lb, inclusive of historic and potential resources. Our US-focused uranium equities group averages US$1.38/lb (see Exhibit 69).

Exhibit 69: EV/lb for Select US-Focused Uranium Equities



Note: URE(1) reflects 26.6 Mlbs 43-101 resources; URE(2) also reflects historic and potential pounds
Source: Raymond James Ltd., Capital IQ, Thomson ONE

Pathfinder Acquisition – Deal Highlights. On July 24, 2012, Ur-Energy announced the acquisition of the historically-productive Shirley Basin (SB) and Lucky Mc (LM) mines – both in Wyoming – from Pathfinder, a subsidiary of Areva. Per the agreement, Ur-Energy is to pay US$13.25 mln in cash. The properties cover 5,100 acres, including two areas which saw significant production (>71 Mlbs) during the 1960s – 1990s. Historic remaining resources are estimated at 10 Mlbs at SB and 4.7 Mlbs at LM, both grading 0.21%. During production, the mines used conventional mining techniques, but SB was also home to the earliest in-situ uranium production in the US. Both sites are undergoing reclamation, with bonds of US$10.9 mln required at SB and US$1.4 mln required at LM. We also note SB is one of the only licensed uranium ISL waste disposal sites in the US. Ur-Energy would additionally receive Pathfinder's entire US database.

The deal is expected to close in 6 – 12 months and is contingent on the NRC approving a change of control for the NRC License at SB, as well as transfer of state mining licenses at both operations. Ur-Energy has paid an initial US$1.325 mln into escrow, which will be released at close. A break fee for both parties is equal to the same amount – US$1.325 mln.

Our View on Pathfinder: Low Cost, ISL-Amenable Pounds. We view the acquisition as a strong positive for Ur-Energy for three primary reasons: (i) low cost, ISL-amenable pounds should bolster the current LC mine plan (see Potential Concerns section); (ii) strategic value of the vast Pathfinder database; and (iii) potential waste service revenues.

At an implied cost of only US$0.90/lb, the company has added nearly 15 Mlbs of historic resources, which grade an order of magnitude above existing Lost Creek resource pounds at 0.05%. SB is the centerpiece of the transaction: significant historic drilling suggests solid potential to upgrade pounds to 43-101 categories as shallow (250 ft – 350 ft to top of ore), ISL-amenable material with good hydrology over a single, ~100 ft thick horizon.

Though Ur-Energy takes over reclamation work at SB and the LM mine site (LM tailings facility was fully reclaimed and is now in possession of the US DOE), bond requirements are small and actual payments by Ur-Energy can be stretched over many years, minimizing impact to the company's balance sheet. These payments could even be offset by future potential revenues generated by waste disposal services at SB, particularly with increasing ISL development in Wyoming.

The Pathfinder database should also provide a vast amount of geological, drilling and engineering data on hundreds of projects in more than 20 US states; we believe this information adds value for target generation on Ur-Energy's already-owned ground, could be re-sold in portions to other companies active in the area, and should help define future M&A targets for the company.

Once the acquisition closes, Ur-Energy plans to begin the process of amending existing licenses to support a potential ISL satellite facility at SB. As described earlier in this report, our model reflects full design-capacity utilization at Lost Creek (2 Mlbs/year) by 2019E.

Good Jurisdictions. Lost Creek is located in Wyoming – ranked 4th of 93 global mining jurisdictions in the Fraser Institute's latest policy potential survey. We also highlight that the US, despite having the world's largest fleet of reactors at 104 and the highest level of annual uranium consumption at ~50 Mlbs/year (and this excludes a major nuclear-powered naval fleet), produces only 4 Mlbs/year (2011A). The remainder comes from local secondary supplies and other countries, including the 24 Mlbs/year HEU agreement expiring in 2013. Accordingly, it makes sense to us that the US will remain supportive of domestic uranium production long into the future, in order to maintain security of supply.

Strong Management. Ur-Energy is led by a conservative group of professionals with significant experience in mining and uranium, including Wayne Heili (President and CEO; >19 years in US uranium); Jeff Klenda (Chairman; Aura Silver, Galahad Metals, finance background); and Jim Cornell (CEO of NuCore), who has been instrumental in securing agreements with US utilities.

Further Consolidation Potential. We also highlight Ur-Energy as a potential consolidator of other projects in the region, particularly once Lost Creek is ramped to original design rates There are numerous junior-owned, sandstone roll-front deposits that the company could potentially process at its Lost Creek plant (where the back-end is over-designed at 2 Mlbs/year capacity, vs. max. projected output of 1.1 Mlbs/year in the PEA). For example, Uranium One's immediate plans for the Jab and Antelope properties, located just to the north of Lost Creek, remain unclear and are excluded from the company's disclosure. Two recently announced acquisitions – Uranium One's LC East and West in February 2012 and Areva's Pathfinder in July 2012 (as outlined above) – underline Ur-Energy management's willingness to go the M&A route.

Takeout Candidate. Alternatively, Ur-Energy could itself be a takeout target, given the company has nearly completed the arduous US uranium permitting process, is on the verge of breaking ground and is trading near trough valuations. With that in mind, we note that in April 2012, Wildhorse Energy sold highly prospective, nearby ground (on-strike, to the SW and contiguous with the Lost Creek property) to a 'major mining company', who we suspect is Rio Tinto, owner of the nearby Sweetwater mill complex.

Potential Concerns

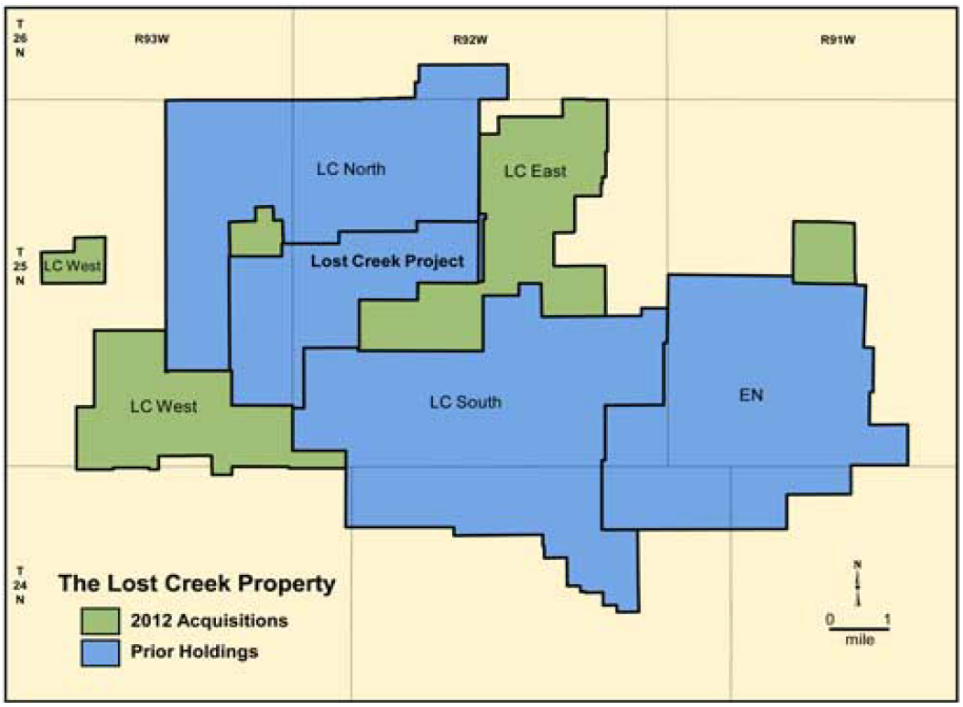
Small Mine Plan. The main hurdle facing the company beyond a smooth and timely start-up is expanding the mineable reserve at Lost Creek. In February 2012, the company was able to add 3.4 Mlbs on immediately adjacent ground via an asset exchange with Uranium One. On July 24, 2012, Ur-Energy announced the acquisition of Areva's 14.7 Mlbs Pathfinder projects at only US$0.90/lb. Further such 'low hanging fruit' acquisitions are unlikely, in our view. Fortunately, the acquired ground hosts significant potential and further bolsters Ur-Energy's dominant land position in the region, suggesting the company should be able to bulk up pounds via an increased focus on exploration.

We believe the best areas to add pounds are at the recently acquired Shirley Basin project, as well as on the East Mineral Trend (EMT), one of the areas acquired from Uranium One and where Ur-Energy plans to drill during 2012E. The EMT areas include in-fill and postulated extensions of redox fronts at LC East and into LC South. Additionally, the main LC mineral trend appears open to the west, where it extends onto

LC West (former Uranium One) and LC North. Thus far, most mineralization is hosted within HJ and KM horizons, but several other strata are prospective including the shallower FG and deeper horizons. The 2011 exploration program yielded good results from M and N (~700 ft – 1000 ft), which are not included in the mine plan, but speak to resource expansion potential at depth.

The large and comparatively under-drilled EN project is also highly prospective. In August 2009, the company stated it saw potential for an additional '24 Mlbs – 28 Mlbs' at properties adjoining the core LC property at that time. Upside at LC East and West was not included in this estimate. In our model, our notional 26 Mlbs LC reserve implies the company can double current resources (i.e., add 14 Mlbs, or about half of Ur-Energy's 'potential' range). For the time being, we exclude Lost Soldier (LS) from our mine plan on our view of comparatively weaker amenability to ISL extraction. That said, a significant portion of LS' 14 Mlbs in resources is below the water table and could be permitted relatively easily with an amendment to existing LC licenses.

Exhibit 70: Plan Map of Lost Creek and Surrounding Ur-Energy Properties



Source: Ur-Energy Inc.

Permitting Risk. After a highly protracted permitting process that commenced shortly after the company went public in late 2005 (the target start date for production at that time was mid-2008), Ur-Energy appears to be on the final leg of the journey, with only the Plan of Operations as the last major permit yet to be received from the US Bureau of Land Management. Following publishing of the draft EIS, the license moved to a public comment period (ended June 11, 2012) and we expect issuance of the license itself in 3Q12E.

Nevertheless, recent history has substantiated the inaccuracy of guidance from US regulatory offices (notably Cameco, Uranium One, Ur-Energy, Uranerz and others), so we highlight the potential – albeit, slight – for further delays. Deferring our modeled start-up by one-year reduces our NAVPS by $0.09 to $1.93 and increases our future funding shortfall to $21 mln (from $14 mln).

Potential Catalysts

Potential milestones for the company include:

- Receipt of the Plan of Operations – the final remaining permit needed to proceed with construction at Lost Creek – from the US Bureau of Land Management during 3Q12E.
- Close of the acquisition of Pathfinder from Areva by mid-2013E.
- Start-up of production at the project in 2H13E.

Valuation and Financials

Exhibit 71: RJL NAV Summary for Ur-Energy

Funded NAV Valuation			
Financial	**C$mln**	**C$/afd.sh.**	**%**
Working Capital (1Q12/	$36.1	$0.27	14%
Options/warrants	$4.7	$0.04	2%
Future Equity Issue	$13.9	$0.11	5%
SG&A	-$15.0	-$0.11	-6%
	$39.6	$0.30	15%
Operational			
Lost Creek (DCF; 8%)	$227.0	$1.72	85%
Net Asset Value:	**$266.6**	**$2.02**	100%
Adj. Fully Diluted Sh. (mln)		132.0	

Source: Raymond James Ltd.

We have a Strong Buy rating and $1.50 target on Ur-Energy. Our target is based on a 0.7x P/NAV applied to the project component of our C$2.02 NAVPS (8% discount; see Exhibit 71). We calculate our NAV on a funded basis, inclusive of C$14 mln in future funding requirements. Our P/NAV multiple reflects the historical trading ranges of explorer/developer juniors and is below our historic, pre-Fukushima average multiple of 0.8x.

Ur-Energy currently trades at 0.33x P/NAV (vs. Denison Mines at 0.68x), as well as US$0.59/lb for the company's 21.2 Mlbs in total resources vs. our global explorer/developer peers at US$0.70/lb.

Exhibit 72: Financial Statements

C$000s (Fiscal year-end Dec-31)	2011A	2012E	2013E	2014E
Income Statement				
Revenue	0	0	3,292	55,125
Operating Expenses	(3,727)	(367)	(1,726)	(19,838)
SG&A, Forex	(12,694)	(10,485)	(11,068)	(11,568)
Mineral Write-offs	0	0	0	0
Other	(77)	976	0	0
EBITDA	(16,497)	(9,876)	(9,502)	23,719
DD&A	0	0	(496)	(8,137)
EBIT	(16,497)	(9,876)	(9,998)	15,582
Interest income (expense)	241	1,000	1,000	1,000
Tax recovery (expense)	0	0	0	0
Net Income	(16,257)	(8,876)	(8,998)	16,582
Weighted Avg. S/O ('000s)	103,467	120,784	130,747	132,024
Adjusted EPS (C$/sh; basic)	(0.16)	(0.07)	(0.07)	0.13
Cash Flow				
Operating	(12,945)	(7,026)	(5,952)	27,269
Investing	(3,154)	(18,932)	(15,345)	(3,968)
Financing	3,357	16,320	15,055	1,063
Net Change in Cash (net FX)	(12,549)	(9,927)	(6,243)	24,364
CFPS (C$/sh; w/o WC)	(0.13)	(0.06)	(0.05)	0.21
Cash (EOP)	16,169	6,243	0	24,364
Balance Sheet				
Current Assets	24,035	12,481	6,238	30,603
Non-current Assets	41,815	63,084	77,933	73,764
Total Assets	65,850	75,565	84,171	104,366
Current Liabilities	1,045	853	853	853
Non-current Liabilities	562	550	550	550
Total Liabilities	1,607	1,403	1,403	1,403
Deficit	(109,325)	(118,201)	(127,199)	(110,617)
Shareholder Equity	173,568	192,364	209,968	213,581
Total Liabilities + Equity	65,850	75,565	84,171	104,366

Source: Raymond James Ltd., Ur-Energy Inc.

We note earlier capital losses should allow Ur-Energy to reduce its tax payments significantly in the first few years of production.

Exhibit 73: Financial and Operational Snapshot of Ur-Energy Inc.

Ur-Energy Inc.

Rating:	**Strong Buy 1**	**URE-T**	
6-12 Mth Target	**C$ 1.50**	**NAV**	$2.02
Projected Return:	**123.9%**	**YR-END:**	**Dec 31**

Investment Thesis
- Dynamic uranium development company focused in "mining friendly" Wyoming, U.S.A.
- Near term commercial production; initial ISR production expected in late-2013E
- Full nameplate (current) production ramp up expected in 2015E, with low LOM cash costs

Key Attributes:
- Headed by a conservative, well respected management team
- Current properties contain over 26 mln lbs U3O8 of 43-101 compliant resources
- Additional discovery potential at adjacent 100%-owned properties (production/mine life upside)

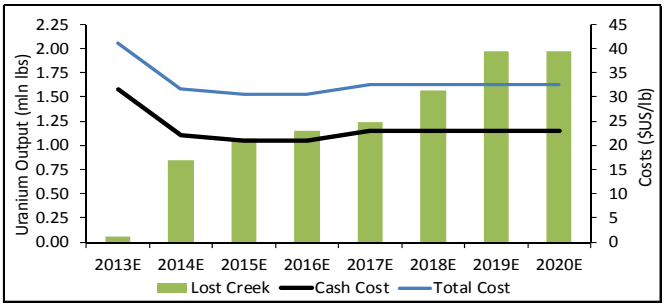
Key Concerns
- Permitting risk in the United States
- Inherent risks with ISR extraction method
- Cost inflation risk
- Risk that adjacent properties are not amenable to incorporation into Lost Creek mine plan

Reserves & Resources Profile

	Tons (M)	Grade (% U3O8)	U3O8 (Mlbs)	URE's (Mlbs)
Measured + Indicated				
Lost Creek	7.8	0.05%	8.3	8.3
Lost Soldier	8.6	0.06%	12.2	12.2
Bootheel	1.3	0.04%	1.1	0.3
Hauber	0.4	0.17%	1.5	0.4
	18.1	0.06%	23.1	21.2
Inferred				
Lost Creek	3.0	0.05%	2.8	2.8
Lost Soldier	1.5	0.06%	1.8	1.8
Bootheel	4.0	0.04%	3.3	0.8
	8.5	0.04%	7.9	5.4
Total NI 43-101 Compliant	26.5	0.06%	31.0	26.6
Historic				
Radon Springs	16.4	0.04%	13.8	13.8
Kaycee	1.3	0.11%	3.2	3.2
North Hadsell	8.7	0.04%	7.7	7.7
	26.5	0.04%	24.7	24.7
Total Global Resources*	53.0	0.05%	55.6	51.3
US$EV/lb M+I	2.1			
US$EV/lb 43-101	1.7			
US$EV/lb Global	0.9			

* excludes Pathfinder historic resources and geologic potential at Lost Creek adjoining properties

Operating Summary	2011A	2012E	2013E	2014E	2015E
U3O8 (mln lbs)	0.0	0.0	0.1	0.8	1.1
Total Cash Costs ($/lb)	0.0	0.0	31.5	22.1	21.0
EV/Prodn U3O8	nm	nm	$866	$53	$42



RAYMOND JAMES LTD. RESEARCH

Analyst: David Sadowski 604 659 8255
david.sadowski@raymondjames.ca

Reporting currency: CDN 18-Jul-12

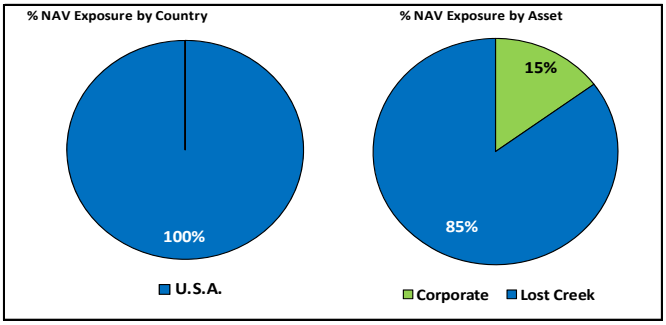
Market Statistics			
Share Price	C$ 0.67	Shares Basic (mln)	121.1
52 Week High/Low	C$1.63/0.64	Shares Fully Diluted (mln)	125.1
Market Cap. (mln)	$81	Adj. Shares used in NAV calc (mln)	132.0
Enterprise Value (mln)	$45	Avg Daily Volume:	102,170
Total model'd lbs in DCF (mln)	25.6	Dividend	$0.00

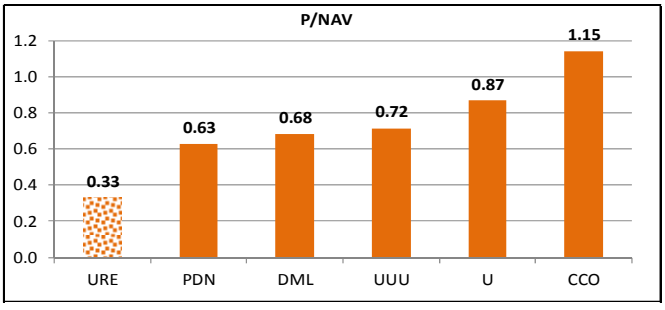
Financial Metrics	2011A	2012E	2013E	2014E	2015E
Cash ($mln)	23.1	12.1	5.8	30.2	42.2
Working capital	23.0	11.6	5.4	29.7	41.8
Current ratio (x)	23.0	14.6	7.3	35.9	50.0
LT Debt	0.0	0.0	0.0	0.0	0.0
Common Equity	64.2	74.2	82.8	103.0	129.5
Price/book (x)	1.1	1.1	1.0	0.8	0.7
LTD/(LTD + Equity)	0.0%	0.0%	0.0%	0.0%	0.0%
ROE	-25%	-12%	-11%	16%	18%
ROIC	-25%	-12%	-11%	16%	18%

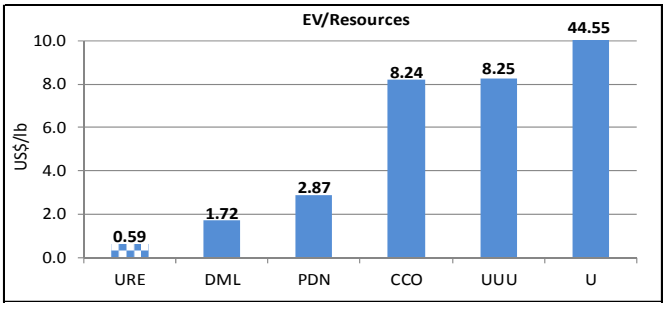
Earnings/Cash Flow	2011A	2012E	2013E	2014E	2015E
RJ Uranium Forecast (US$/lb)	57.09	53.50	63.00	72.50	75.00
Revenue (US$mln)	0.0	0.0	3.5	58.6	76.4
EBITDA (US$mln)	-16.5	-9.9	-9.5	23.7	36.3
EBITDA margin	0.0	0.0	-2.7	0.4	0.5
EV/EBITDA (x)	nm	nm	nm	1.9	1.2
EBIT (US$mln)	-16.5	-9.9	-10.0	15.6	25.9
Net earnings (C$mln)	-16.3	-8.9	-9.0	16.6	23.5
EPS	-0.16	-0.07	-0.07	0.13	0.18
P/E (x)	nm	nm	nm	5.3	3.8
Operating Cash Flow (C$mln)	-12.9	-7.0	-6.0	27.3	36.3
CFPS	-0.13	-0.06	-0.05	0.21	0.27
P/CF (x)	nm	nm	nm	3.2	2.4
Capex (US$mln)	-0.2	-20.0	-15.3	-4.0	-24.8

Funded Valuation	C$mln	C$/share	% of NAV
Working Capital (1Q12A)	$36	$0.27	13.5%
Options/warrants	$5	$0.04	1.8%
Future Equity Issue	$14	$0.11	5.2%
SG&A	-$15	($0.11)	-5.6%
Lost Creek (DCF; 8%)	$267	$1.72	85.1%
NAV	**$306**	**$2.02**	**100.0%**

Valuation Measures	Implied Target Multiple	Current Multiple
Price/2012E NAVPS (x)	0.7	0.3
Price/2014E CFPS (x)	7.3	3.2
Target Price C$:	**C$ 1.50**	







Source: Raymond James Ltd., UxC, Thomson One, Capital IQ, Ur-Energy Inc.

Uranium One Inc.

July 26, 2012

UUU-TSX | UUU-JSE

Company Report

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Mining | Uranium

Low Cost Production Growth... with Some Uncertainty in Africa

Event

We are resuming research coverage of Uranium One Inc. with a $3.60 target and an Outperform rating.

Recommendation

We recommend Uranium One on its low-cost production growth, best-in-class spot price exposure, and attractive valuation. Uranium One's balance sheet is solid, but could weaken if the remaining 86% of Mantra is purchased in June 2013.

Analysis

Fast Growing and Low Costs. Uranium One produced 10.7 Mlbs in 2011A at US$14/lb cash costs, up from just 3.6 Mlbs in 2009A. We see this growth continuing on the back of the company's Kazakh-dominated ISL portfolio. We project 15.1 Mlbs output in 2015E, while average costs remain near industry lows at US$20/lb.

Highest Exposure to Spot. Uranium One has the highest spot price exposure amongst our producers given 90% – 95% of contracts reference market-related pricing. Since January 2008, the company's share price has traded at a 78% correlation with spot prices (above Cameco and Paladin at 56% and 44%, respectively). Our NAVPS jumps ~C$1/share for every 10% increase in uranium prices above our price deck.

Mkuju River – Worth it? A critical question for Uranium One is whether to proceed with acquiring the remaining 86.1% of Mantra Resources (and its Mkuju River in Tanzania) from ARMZ. We view the acquisition as costly, with a ~US$0.9 bln price tag and US$650 mln in capex (RJL estimates), as well as being geopolitically and operationally uncertain. If we assume Uranium One passes on the deal, our modeled NAVPS would be 21% higher at C$4.14. Recall, the company has until June 2013 to exercise its call option to buy the remainder, and ARMZ has a put option to sell the remainder on the deadline. In either case, minority shareholder approval is required to complete the deal. A Definitive Feasibility Study (DFS) is expected in 3Q12E.

Balance Sheet, Funding Needs. Exit 1Q12A cash was US$512 mln and debt was US$850 mln. To fund the completion of the Mantra deal and initial Mkuju development, we model a notional US$410 mln debt issue in 2Q13E (potentially as ruble bonds). This issue would bring total debt to US$1.1 bln.

Valuation

Our $3.60 target is based on a 50/50 weighting of (i) a 1.0x P/NAV applied to our C$3.43 NAVPS (8%) and (ii) a 10x P/CF applied to our C$0.35 2013E CFPS. Please see our Valuation & Recommendation section for further details.

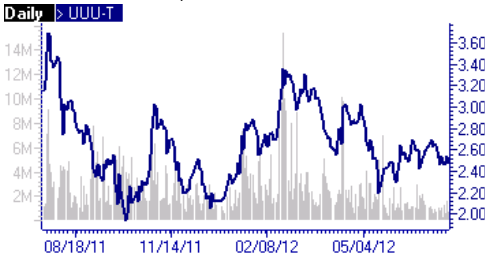
EPS		1Q Mar	2Q Jun	3Q Sep	4Q Dec	Full Year	Revenue (mln)	NAVPS
	2011A	US$0.02	US$0.03	US$0.05	US$0.02	US$0.11	US$530	
Old	2012E	0.02A	NA	NA	NA	NA	NA	NA
New	**2012E**	**0.02A**	**0.01**	**0.05**	**0.06**	**0.13**	**589**	**3.43**
Old	2013E	NA	NA	NA	NA	NA	NA	NA
New	**2013E**	**0.03**	**0.04**	**0.04**	**0.06**	**0.17**	**791**	**NA**

Source: Raymond James Ltd., Thomson One

Rating & Target			
			Outperform 2
Target Price (6-12 mos): Old: UR			New: C$3.60
Current Price (Jul-18-12)			C$2.46
Total Return to Target			46%
52-Week Range			C$3.82 - C$1.85
Market Data			
Market Capitalization (mln)			C$2,355
Current Net Debt (mln)			US$338
Enterprise Value (mln)			C$2,702
Shares Outstanding (mln, basic)			957.2
10 Day Avg Daily Volume (000s)			906
Dividend/Yield			nm/nm
Key Financial Metrics		2012E	2013E
P/E		19.0x	14.5x
P/NAV		0.7x	NA
CFPS			
Old	US$0.18	NA	NA
New	US$0.18	US$0.32	US$0.35
Working Capital (mln)			
Old	US$714.9	NA	NA
New	US$714.9	US$665.8	US$358.8
Capex (mln)			
Old	US$(151.9)	NA	NA
New	US$(151.9)	US$(206.7)	US$(154.7)
Long Term Debt (mln)			
Old	US$758.3	NA	NA
New	US$758.3	US$850.4	US$1,260.4
Production (Mlbs)			
Old	10.7	NA	NA
New	10.7	11.6	12.9
Cash Costs (US$/lb)			
Old	US$14.5	NA	NA
New	US$14.5	US$16.9	US$19.5

Company Description

Uranium One is one of the largest uranium producers in the world, with plans for aggressive growth at its mines in Kazakhstan, the United States and Australia.

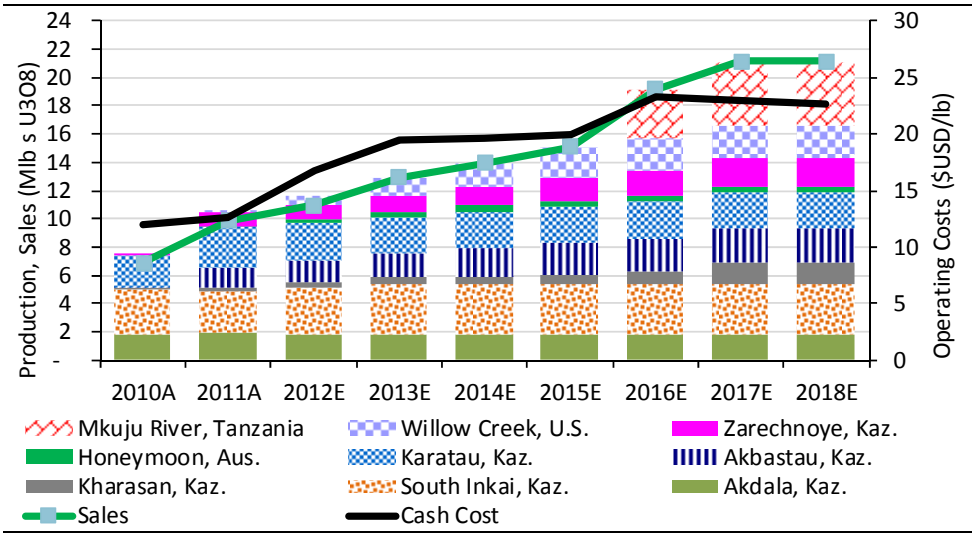


Investment Overview

Top Four Producer with Low Cash Costs. In 2011A, Uranium One produced 10.7 Mlbs from its six mines in Kazakhstan, one in Wyoming and one in Australia, placing the company as the fourth largest producer globally. Low cost ISL operations in Kazakhstan are the core of Uranium One's business and underpinned industry-low corporate cash costs of US$14/lb in 2011A (and US$14/lb in 1Q12A).

Aggressive Growth. From just 3.6 Mlbs produced in 2009A, the company is targeting output of 11.6 Mlbs in 2012 (in-line with our 11.6 Mlbs), 12.5 Mlbs in 2013 (vs. our 12.9 Mlbs) and steady-state production rates of 22 Mlbs – 26 Mlbs/year in the latter part of the decade (of which Mkuju River is guided to comprise 4.2 Mlbs – 5.7 Mlbs). We see steady-state of 21.1 Mlbs/year (starting 2017E) on a more cautious view of economic rates feasible in the US and Tanzania (details below). We note Uranium One's profile could increase by a further 0.4 Mlbs/year (RJL), depending on terms of Mitsui's pending withdrawal from the Honeymoon project in South Australia (currently a 51%/49% JV operated by Uranium One). Though we expect cash costs to tick up slightly as higher cost centers ramp (Zarechnoye, Willow, Honeymoon), we believe sub-US$20/lb cash costs should continue, until Mkuju River starts up in 2016E.

Exhibit 74: Production and Sales Profile



Source: Raymond James Ltd., Uranium One Inc.

Excellent Earnings Growth. Industry-best sales growth, coupled with our rising price deck and preservation of sub-US$20/lb cash costs, underpin strong earnings growth. Our 2012E – 2016E EPS estimates are $0.13, $0.17, $0.28, $0.36, and $0.41.

Highest Spot Price Exposure. The company's contracts are heavily weighted towards market-related levels at the time of delivery, with, in our view, preferential price protection. At December 31, 2011, only 5.3 Mlbs were contracted at a fixed price of US$69/lb, and amongst market-related contracts, only 2.9 Mlbs have a ceiling – averaging ~US$96/lb – while 14.6 Mlbs have an average floor of ~US$46/lb. This market-related bias increases exposure to a rebound in uranium prices. For every 10% increase across our uranium price deck, we estimate a ~$1 increase in NAVPS, making Uranium One the most leveraged of our covered producers to an upswing and, by the same measure, to a downswing (see Exhibit 75).

Exhibit 75: UUU NAVPS Sensitivity to Changing Discount Rates and Uranium Prices

Discount Rate	U3O8 Price (US$/lb)								
	-40%	-30%	-20%	-10%	RJL LT	+10%	+20%	+30%	+40%
	42	49	56	63	**70**	77	84	91	98
15%	0.40	0.39	0.55	0.78	1.22	1.79	2.32	2.88	3.41
12%	0.51	0.62	0.93	1.32	1.93	2.62	3.29	3.99	4.64
10%	0.61	0.84	1.28	1.83	2.57	3.39	4.18	5.00	5.78
8%	0.76	1.13	1.74	2.50	**3.43**	4.42	5.37	6.35	7.28
5%	1.10	1.80	2.79	4.01	5.36	6.72	8.02	9.36	10.65
3%	1.46	2.49	3.88	5.57	7.36	9.08	10.75	12.47	14.12
0%	2.38	4.25	6.61	9.48	12.35	15.00	17.57	20.21	22.77

Source: Raymond James Ltd.

Strong Partner. Russia's state-owned uranium miner, JSC Atomredmetzoloto (ARMZ), owns 51.4% of Uranium One and controls five of nine seats on the Board (including two of five independents). We believe ARMZ views Uranium One as both an investment and a transparent vehicle to make global acquisitions, providing fuel for the Russian nuclear build-out via a largely market-related off-take agreement. This relationship has also facilitated Uranium One's access to Russia's bond market (a first for a foreign company), with a December 7, 2011 6.74% ruble bond offering grossing US$464 mln (fixed via swap at US$1.00:RUB30.855, reducing currency risk).

We believe ARMZ's stake reduces the likelihood of a takeover offer; however, it does not eliminate takeout potential completely, as the existing Framework Agreement allows ARMZ to sell its shares to a buyer if the offer is made on equivalent terms to all Uranium One shareholders. Per provisions in the current framework agreement (expires December 2013), ARMZ must vote for Uranium One's independent director nominees and cannot acquire more shares without Uranium One's consent.

Healthy Balance Sheet. As of March 31, 2012, Uranium One held US$512 mln in cash, US$620 mln in working capital, 3.87 Mlbs in inventory, and long-term debt of US$850 mln. Assuming the company completes the 100% purchase of Mantra in June 2013E, we believe they would be unlikely to make another significant acquisition in the near-term. Our model assumes that the company secures additional debt to complete the financing – further details are outlined below.

Attractive Valuation. Uranium One is currently trading at 0.72x P/NAV, vs. its one-year pre-Fukushima average of 1.22x and peers Cameco and Paladin at 1.15x and 0.63x, respectively; on a P/CF (2013E) basis, the company trades at 7.0x vs. Cameco at 9.9x and Paladin at 15.4x; Uranium One commands a premium at US$8.25/lb global 43-101 resources, vs. global producer peers at US$4.74/lb, likely due to significant historic Russian resources and an impressive low-cost growth profile.

Spotlight on Mkuju River, Tanzania

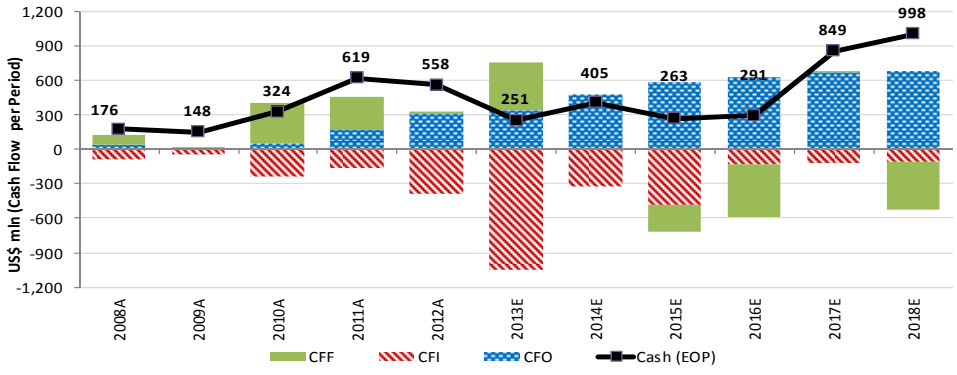
Deal Background. Recall, per the December 15, 2010 put/call option agreement with ARMZ, Uranium One can acquire Mantra Resources and its Mkuju River project in Tanzania. This deal was subsequently re-priced after Fukushima to ~US$1.04 bln and amended to include a pre-payment option, which Uranium One exercised by paying US$150 mln in January 2012 (and in so doing, acquired 13.9% of Mantra from ARMZ). This pre-payment pushed the agreement deadline to June 7, 2013. Uranium One has the 'call' option, until the deadline, to purchase the remainder (for a further ~US$0.9 bln) and ARMZ has the 'put' option, at the deadline, to sell to Uranium One on equivalent terms; however, in either case, Uranium One minority shareholder approval is required to complete the deal.

Pre-feasibility Study. The May 2011 study was based on reserves of 59.6 Mt grading 435 ppm U3O8 (0.04%) for 57.1 Mlbs, or 56% of global Mkuju resource pounds at the time (based on a 200 ppm cut-off). A 5.2 Mtpa operation was considered with a 12-year mine life, at steady state producing 4.2 Mlbs/year at US$22.04/lb cash costs. Capital costs totaled US$391 mln. The study envisioned a conventional acid leach and resin-in-pulp process (RIP, ion exchange); however, a second stage heap leach of lower grade material is being contemplated in an updated feasibility study (expected 3Q12E) and which, according to Uranium One's latest disclosures, could boost output to 5.7 Mlbs/year.

Our Estimates. A November 2011 resource update lowered the cut-off grade to 100 ppm (from 200 ppm), increasing global tonnages 67% to 182 Mt, contained metal 18% to 119 Mlbs, but slashing grades 30% to 297 ppm. In light of bolstered tonnages and good exploration upside around the Nyota deposit, we model an up-sized, 8.6 Mtpa operation with a 22-year mine life, starting in 2016E; however, lower grades, experiences at Paladin's Kayelekera (also uses RIP), and potential risks surrounding the proposed heap leach component constrain our steady-state expectations to 4.5 Mlbs/year at US$30/lb cash costs. It is also unclear to what degree the expanded resource can be converted to economically-extractable reserves. We model capex starting (in earnest) in 2H13E and totaling US$650 mln – higher than the May 2011 pre-feas on our larger plant, heap leach, and general cost creep.

External Capital Needed. Our model assumes Uranium One will pay US$0.9 bln to ARMZ in June 2013E and fund 100% of our US$650 mln Mkuju capex estimate. Exit-1Q12A cash was US$512 mln and we project ~US$131 mln internal cash flows leading up to the purchase date, suggesting additional external capital is required, potentially as ruble-denominated bonds. We assume notional debt issue of US$410 mln (7%) in 2Q13E, bringing the total debt burden to US$1.1 bln.

Exhibit 76: Uranium One Projected Cash Flows and EOP Cash



Source: Raymond James Ltd., Uranium One Inc.

Low Grade Heap Leach a Question Mark. Mining should be relatively straight-forward with Mkuju's near-surface, tabular, loosely consolidated sandstone host; however, we highlight the proposed heap leach component as a question mark. Heap leaching uranium ore has worked at Areva's Somair (Niger), INB's Caetite (Brazil), and ARMZ's Priargunsky (Russia), where grades range from 0.2% – 0.3% U3O8 (per UxC). At lower grade mines, though, similar aspirations have recently been shelved or deferred on economics, including Energy Resources of Australia's Ranger (0.09%, global), Paladin's Langer Heinrich (0.05%), and Areva's Trekkopje (0.013%). At Mkuju, grades are now 30% lower vs. when the acquisition was first announced, at 0.03% – we highlight the potential for similar economic headwinds on the heap leach component (this caution is reflected in our modeled output rates).

ARMZ Tax Battle with TRA. According to several news sources, the Tanzanian Revenue Authority (TRA) is demanding ARMZ pay US$206 mln in capital gains taxes and stamp duty following its US$1.04 bln acquisition of Mantra. Legal proceedings are on-going. We believe this situation is worth monitoring, given that:

(i) According to Tanzania's Public Corporations Accounts Committee, the country missed out on ~US$300 mln in potential tax revenue from the Bhati Airtel-Zain Africa acquisition in 2010 (now a focus for the government's opposition);

(ii) The proposed 2012/2013 Tanzania budget (to be tabled in parliament in August 2012) is reported to include a framework for the taxation of multinational M&A;

(iii) In a similar case, the tax authority of Uganda ruled in November 2011 that Heritage Oil must pay US$404 mln after its US$1.45 bln sale of Ugandan assets to Tullow Oil in 2010.

Although Uranium One maintains TRA's case is without merit, the potential impact of a negative ruling would be very material to the company as, according to the put/call agreement, the total purchase amount is equal to what ARMZ paid (US$1.04 bln) plus, amongst other items, "expenses incurred by ARMZ in connection with the acquisition"; in our view, inclusion of this tax could further compel minority shareholders to vote 'no' to acquiring the remainder of Mantra in June 2013.

Is It Worth It? On balance, we view Mkuju as a world class deposit that is highly likely to be developed; however, for Uranium One, the large up-front purchase/development costs (requiring additional debt) and scalability risk suggest the company may seek to retain its 13.9% stake and not acquire the remainder. Based on our current assumptions, our NAV estimate would be 21% higher if we assume Uranium One passes on the acquisition (see Exhibit 77). Our 'without Mkuju' scenario excludes the $0.9 bln payment and 86.1% higher equity in Mkuju and the other Mantra assets.

Exhibit 77: RJL NAV Estimate With and Without Mkuju River and Requisite Debt

Funded NAV Valuation	C$mln	C$/afd.sh.	Funded NAV (w/o Mkuju)	C$mln	C$/afd.sh.	%Δ w/o Mkuju
Corporate			**Corporate**			
Working Capital (1Q12)	619,800	0.64	Working Capital (1Q12)	619,800	0.64	-
Options & Warrants	40,273	0.04	Options & Warrants	40,273	0.04	-
LT Liabilities (+PV of interest)	(1,127,720)	-1.17	LT Liabilities (+PV of interest)	(1,011,023)	-1.05	-10.3%
Mantra Purchase	(900,000)	-0.93	Mantra Purchase	0	0.00	-100.0%
Future Equity Raise	0	0.00	Future Equity Raise	0	0.00	-
SG&A (NPV, 8%)	(197,176)	-0.20	SG&A (NPV, 8%)	(197,176)	-0.20	-
	(1,564,824)	-1.62		(548,126)	-0.57	-65.0%
Projects			**Projects**			
Akdala (DCF, 8%) - 70%	480,467	0.50	Akdala (DCF, 8%) - 70%	480,467	0.50	-
South Inkai (DCF, 8%) - 70%	1,171,961	1.21	South Inkai (DCF, 8%) - 70%	1,171,961	1.21	-
Karatau (DCF, 8%) - 50%	760,004	0.79	Karatau (DCF, 8%) - 50%	760,004	0.79	-
Kharasan (DCF, 8%) - 30%	311,973	0.32	Kharasan (DCF, 8%) - 30%	311,973	0.32	-
Akbastau (DCF, 8%) - 50%	881,952	0.91	Akbastau (DCF, 8%) - 50%	881,952	0.91	-
Zarechnoye (DCF, 8%) - 50%	420,073	0.43	Zarechnoye (DCF, 8%) - 50%	420,073	0.43	-
Honeymoon (DCF, 8%) - 51%	56,476	0.06	Honeymoon (DCF, 8%) - 51%	56,476	0.06	-
Willow Creek (DCF, 8%) - 100%	411,606	0.43	Willow Creek (DCF, 8%) - 100%	411,606	0.43	-
Mkuju River (DCF, 8%) - 100%	339,722	0.35	Mkuju River (DCF, 8%) - 13.9%	47,221	0.05	-86.1%
Other Mantra Assets (notional)	50,000	0.05	Other Mantra Assets (notional)	6,950	0.01	-86.1%
	4,884,234	5.05		4,548,683	4.70	-6.9%
	3,319,410	**$3.43**		**4,000,557**	**$4.14**	**20.5%**

Source: Raymond James Ltd., Uranium One Inc.

With that said, the upcoming DFS (3Q12E) should provide the requisite clarity on capex, opex, throughputs, and recoveries. We will also be looking for the change in Proven and Probable reserves (tonnages/grade), which should help quantify the economic impact of the lower cut-off grade in the November 2011 resource. Beyond movements in spot uranium prices, we view the study as the most important catalyst for the stock.

Other Potential Concerns

Kazakh Exposure. In 2011A, 97.5% of production attributable to Uranium One came out of Kazakhstan and though diversification is a focus, with that number dropping to 68% by 2016E (RJL), our valuation is firmly Kazakh-focused, representing 82% of our project NAV. Beyond obvious geopolitical risks (ranked 81st of 93 jurisdictions in the Fraser Institute's Policy Potential Index), recent inflation rates of 7% have impacted domestic production costs (outpacing exchange rates – thus, a negative).

Acid Logistics. Uranium One states that for the past three years, constraints in the supply of sulphuric acid – a critical component in preparing and producing from Kazakhstan's low-salinity wellfields – have been 'an issue,' while Cameco admits Inkai production for 2011A was below expectations due to brief interruptions in supply. Going forward, we view acid logistics, particularly transportation and storage, as a key risk on planned ramp-up, albeit, this risk is being eased with construction of storage facilities and SKZ-U's US$199 mln, 500 ktpa sulphuric acid plant near Kharasan (start-up in 2H12E; Uranium One owns 19%).

Acid Consumption. For reference, acid consumption rates vary mine-by-mine, ranging from 58 kg acid/lb U3O8 produced at Akdala (as at September 2011) to 451 kg/lb at Kharasan, located in the more carbonate-rich Syrdarya province. In May 2012, Nuclear Intelligence reported average delivered acid costs of US$157/t in Kazakhstan; at Zarechnoye, for example, this implies US$8.30/lb, or ~40% of 2011A cash costs (US$21/lb).

Acid costs and utilization rates can thus strongly impact earnings and, in our view, are a key risk to Uranium One, given (i) existing deposits in the country are ageing, moving the miners into less attractive areas (on a uranium grade vs. carbonate content basis) and requiring more acid to maintain output levels, and (ii) most of the shallow, high-grade, low carbonate deposits in Chu-Sarysu province have already been exploited. If Kazakhstan continues to ramp production, country-wide acid demand could outpace supply, putting upward pressure on prices.

Potential Catalysts

Potential catalysts for Uranium One could include:

- Clarity on terms of Mitsui's exit from the Honeymoon project (and potentially a 49% boost in Uranium One's stake) with 2Q12E results on August 8, 2012;
- Definitive feasibility study (DFS) at Mkuju River during 3Q12E;
- Results over the coming months from on-going litigation between ARMZ and the Tanzanian Revenue Agency (TRA);
- Production ramp-up at Kharasan (Kazakhstan), Honeymoon (Australia), and Willow Creek (Wyoming) throughout the year;
- Decision from Uranium One on potential acquisition of Mantra (Mkuju River) from ARMZ by June 7, 2013E, with minority shareholder approval to follow.

The Quarter Ahead

For 2Q12E, we expect a slightly weaker quarter to 1Q12A, with net earnings of US$11.0 mln or US$0.01/share (vs. adjusted earnings of US$12.7 mln or US$0.02/share last quarter). We see production of 2.8 Mlbs (unchanged q/q) and sales of 1.9 Mlbs (+7% q/q), in-line with guidance that sales will be heavily weighted to 2H12 this year. Our higher revenue line is offset by increased costs, particularly at Akbastau as Uranium One brings on more staff (for plant construction) and on an uptick in higher cost Willow and Honeymoon production. That said, our 2012E cash costs are US$17/lb – below the company's US$19/lb.

We expect 2Q12 results to be released on August 8, 2012.

Valuation and Financials

We have an Outperform rating and $3.60 target on Uranium One. Our target is based on a 50/50-weighting of (i) 1.0x P/NAV applied to our C$3.43 NAVPS (8% discount; see Exhibit 77) and a 10x P/CF applied to our 2013E CFPS of C$0.35. Our P/NAV multiple plots conservatively against our pre-Fukushima average P/NAV of 1.5x, while our P/CF multiple reflects our historical producer trading range of 7.7x – 29.9x (dominated by Cameco; adjusted for higher Uranium One risk).

Uranium One currently trades at 0.72x P/NAV and 7.0x 2013E P/CF, a discount to Cameco (1.15x and 9.9x) and a discount, on a CF basis, to Paladin (0.63x and 15.4x). On EV/lb resources, Uranium One trades at US$8.25/lb for the company's 323.3 Mlbs in total resources vs. our global producer peers at US$4.74/lb. We believe a major reason for this latter premium is the company's large Russian historic resources, which are not reflected in our metric.

Exhibit 78: Financial Statements

US$000s (Fiscal year-end Dec-31)	2011A	2012E	2013E	2014E
Income Statement				
Revenue	530,400	588,897	790,731	996,891
Operating Expenses	(142,600)	(180,183)	(251,395)	(274,493)
SG&A, Forex	(53,400)	(69,700)	(57,537)	(67,845)
Mineral Write-offs	0	0	0	0
Other	(15,800)	1,000	0	0
EBITDA	318,600	340,014	481,799	654,553
DD&A	(125,200)	(123,946)	(167,739)	(205,749)
EBIT	193,400	216,067	314,060	448,804
Interest income (expense)	(42,100)	(47,980)	(65,765)	(72,940)
Tax recovery (expense)	(62,900)	(54,462)	(85,834)	(109,933)
Net Income	88,400	113,626	162,461	265,931
Weighted Avg. S/O ('000s)	957,200	957,040	957,040	957,040
Adjusted EPS (US$/sh; basic)	0.11	0.13	0.17	0.28
Cash Flow				
Operating	169,700	302,122	337,650	479,130
Investing	(160,900)	(384,559)	(1,054,661)	(325,489)
Financing	287,300	22,700	410,000	0
Net Change in Cash (net FX)	294,600	(60,837)	(307,011)	153,641
CFPS (US$/sh; w/o WC)	0.18	0.32	0.35	0.50
Cash (EOP)	619,000	558,163	251,152	404,792
Balance Sheet				
Current Assets	849,900	813,363	506,352	659,992
Non-current Assets	2,453,400	2,720,113	3,607,035	3,726,775
Total Assets	3,303,300	3,533,476	4,113,386	4,386,767
Current Liabilities	135,000	147,600	147,600	147,600
Non-current Liabilities	1,174,700	1,262,800	1,672,800	1,672,800
Total Liabilities	1,309,700	1,410,400	1,820,400	1,820,400
Deficit, other comp income (loss)	(3,524,800)	(3,411,174)	(3,248,714)	(2,982,783)
Shareholder Equity	5,518,400	5,534,250	5,541,700	5,549,150
Total Liabilities + Equity	3,303,300	3,533,476	4,113,386	4,386,767

Source: Raymond James Ltd., Uranium One Inc.

Exhibit 79: Financial and Operational Snapshot of Uranium One Inc.

Uranium One Inc.

Rating:	**Outperform 2**	UUU-T	
6-12 Mth Target	**C$ 3.60**	**NAV**	$3.43
Projected Return:	**46.3%**	**YR-END:**	**31-Dec**

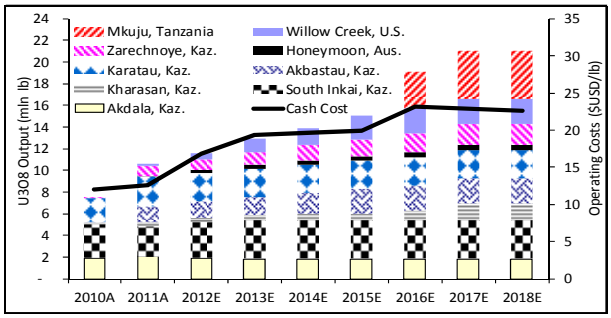
Investment Thesis
- One of lowest cost uranium producers in the world
- Globally significant production levels with strong growth profile
- Relatively low capital intensity projects
- Majority owned by Russia's Atomredmetzoloto (ARMZ)

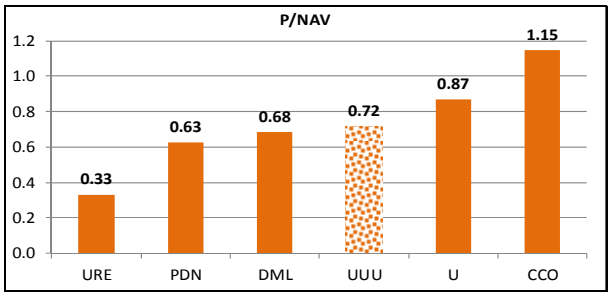
Key Attributes:
- Sizable holdings in the Kazakhstan, the top uranium producer in the world
- Significant production upside at South Inkai and Akbastau, Kazakhstan
- Large resource base, poised to grow with Mantra assets

Key Concerns
- Sovereign risk within Kazakhstan, ARMZ influence on Board

43-101 Resources	Interest (%)	Tonnage (Mt)	Grade (% U3O8)	U3O8 (Mlbs)	UUU's (Mlbs)
Proven and Probable Reserves					
Akdala	70%	29.9	0.012%	7.9	5.6
South Inkai	70%	58.1	0.016%	20.2	1.0
Karatau	50%	40.7	0.026%	23.0	11.5
Zarechnoye	50%	52.4	0.018%	20.4	10.1
Akbastau	50%	19.9	0.048%	21.2	10.6
Kharasan	30%	28.9	0.034%	21.9	6.6
Honeymoon	51%	3.6	0.080%	6.4	3.2
Willow Creek	100%	6.5	0.059%	8.4	8.4
	44%	240.0	0.024%	129.3	57.0
M+I Resources (excl. reserves)					
Akdala	70%	4.0	0.012%	0.9	0.6
South Inkai	70%	0.0	0.016%	3.3	2.3
Karatau	50%	0.0	0.069%	7.4	3.7
Akbastau	50%	0.0	0.109%	14.2	7.1
Zarechnoye	50%	0.0	0.054%	10.5	5.2
Kharasan	30%	0.0	0.107%	8.4	2.5
Honeymoon	51%	0.6	0.129%	5.5	2.8
Willow Creek	100%	3.1	0.089%	10.4	10.4
Mkuju River	100%	139.6	0.030%	93.3	93.3
	83%	147.2	0.047%	153.9	128.0
Inferred Resources					
Akdala	70%	9.7	0.073%	15.6	10.9
South Inkai	70%	42.8	0.047%	44.5	31.1
Karatau	50%	9.7	0.085%	18.2	9.1
Akbastau	50%	31.4	0.115%	79.6	39.8
Zarechnoye	50%	11.6	0.055%	14.3	7.1
Kharasan	30%	17.6	0.012%	46.7	14.0
Willow Creek	100%	0.1	0.068%	0.1	0.1
Mkuju River	100%	42.6	0.028%	26.1	26.1
	56%	165.5	0.067%	245.1	138.3
Global 43-101	**61%**	**552.7**	**0.043%**	**528.3**	**323.3**

Operating Summary	2011A	2012E	2013E	2014E	2015E
Production (U3O8 mln lbs)	10.7	11.6	12.9	14.0	15.1
Cash Costs ($/lb)	14.5	16.9	19.5	19.7	19.9
EV/Prodn U3O8	$254	$233	$209	$194	$179





RAYMOND JAMES LTD. RESEARCH

Analyst: David Sadowski 604 659 8255
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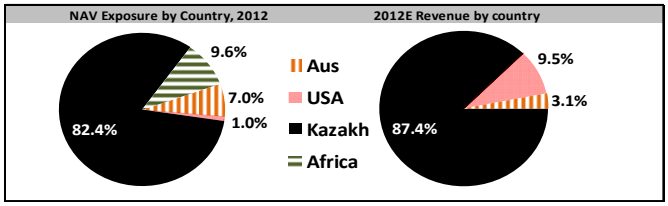
Reporting Currency:	USD		18-Jul-12
Market Statistics			
Share Price	C$ 2.46	Shares Basic (mln)	957.2
52 Week High/Low	3.72/1.85	Shares Fully Diluted (mln)	967.3
Market Cap. (mln)	$2,355	Adj. Shares used in NAV calc (mln)	967.3
Enterprise Value (mln)	2702.1	Avg Daily Volume:	1,114,350
Total model'd Au oz in DCF (mln)	0.0	Annualized Dividend	$0.00
Total model'd U3O8 lb in DCF (mln)	970.4	Div Yield %	0.0%

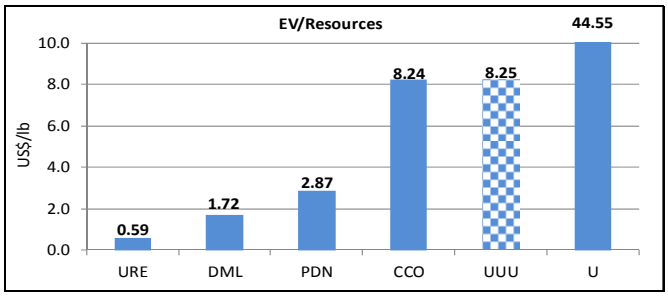
Financial Metrics	2011A	2012E	2013E	2014E	2015E
Cash ($ mln)	619.0	558.2	251.2	404.8	262.9
Working capital ($ mln)	714.9	665.8	358.8	512.4	370.5
Current ratio (x)	6.3	5.5	3.4	4.5	3.5
LT Debt ($ mln)	758.3	850.4	1260.4	1260.4	1000.4
Common Equity (mln)	1993.6	2123.1	2293.0	2566.4	2945.5
Price/book (x)	1.2	1.1	1.0	0.9	0.8
LTD/(LTD + Equity)	27.6%	28.6%	35.5%	32.9%	25.4%
ROE	4%	6%	7%	10%	12%
ROIC	3%	4%	4%	6%	8%

Earnings/Cash Flow	2011A	2012E	2013E	2014E	2015E
RJ Uranium Forecast US$/lb	57.09	53.50	63.00	72.50	75.00
Revenue ($mln)	530.4	588.9	790.7	996.9	1135.8
EBITDA ($mln)	318.6	340.0	481.8	654.6	760.9
EBITDA margin	0.6	0.6	0.6	0.7	0.7
EV/EBITDA (x)	8.5	7.9	5.6	4.1	3.6
EBIT ($mln)	193.4	216.1	314.1	448.8	532.9
Adj. Net earnings ($mln)	88.4	124.2	162.5	265.9	344.7
Adj. EPS ($/sh)	0.11	0.13	0.17	0.28	0.36
P/E (x)	22.1	19.0	14.5	8.9	6.9
Operating Cash Flow ($mln)	169.7	302.1	337.6	479.1	580.2
CFPS (US$)	0.18	0.32	0.35	0.50	0.60
P/CF (x)	13.9	7.8	7.0	4.9	4.1
Capex ($mln)	-151.9	-206.7	-154.7	-325.5	-489.0

Valuation (C$)	C$'000	$/share	% of NAV
Akdala (DCF, 8%) - 70%	480,467	0.50	14.5%
South Inkai (DCF, 8%) - 70%	1,173,554	1.21	35.3%
Karatau (DCF, 8%) - 50%	760,004	0.79	22.9%
Kharasan (DCF, 8%) - 30%	311,973	0.32	9.4%
Akbastau (DCF, 8%) - 50%	881,952	0.91	26.6%
Zarechnoye (DCF, 8%) - 50%	420,073	0.43	12.6%
Honeymoon (DCF, 8%) - 51%	56,476	0.06	1.7%
Willow Creek (DCF, 8%) - 100%	411,606	0.43	12.4%
Mkuju River (DCF, 8%) - 100%	339,722	0.35	10.2%
Other Mantra Assets (notional)	50,000	0.05	1.5%
Sub-Total	4,885,827	5.05	147.1%
Working Capital (1Q12)	619,800	0.64	18.7%
Options & Warrants	40,273	0.04	1.2%
LT Liabilities (+PV of interest)	(1,127,720)	(1.17)	-34.0%
Mantra Purchase	(900,000)	(0.93)	-27.1%
Future Equity Raise	0	0.00	0.0%
SG&A (NPV, 8%)	(197,176)	(0.20)	-5.9%
	-1,564,824	(1.62)	-47.1%
NAV (8%)	**3,321,003**	**3.43**	**100.0%**

Valuation Measures	Implied Target Multiple	Current Multiple
Price/NAVPS (x)	1.0	0.7
Price/2013E CFPS (x)	10.2	7.0
Target Price C$:	**C$ 3.60**	





Source: Raymond James Ltd., UxC, Thomson One, Capital IQ, Uranium One Inc.

Uranium Participation Corporation

July 26, 2012
Company Report

U-TSX

David Sadowski | 604.659.8255 | david.sadowski@raymondjames.ca

Mining | Uranium

Can I Buy a Vowel?

Event

We are resuming research coverage of Uranium Participation Corp. (UPC) with an $8.00 target and a Strong Buy rating.

Recommendation

We recommend UPC on minimal operational risk exposure to a potential spot price rebound, as well as attractive valuation.

Analysis

Fund Background. UPC is the world's only publicly-traded physical uranium fund, offering exposure to spot uranium prices without the typical operational risks associated with other mining equities. The fund is managed by Denison Mines, who opportunistically buy and hold material. UPC may trade at a discount or a premium to its NAV, depending on the outlook on uranium prices.

NAV Calculation. We calculate UPC's NAV by valuing the fund's current inventory of 13.42 Mlbs U3O8-equivalent at UxC's weekly spot price (US$50.15/lb), net of current assets and liabilities. Our NAVPS is C$6.66.

Large Discount to NAV. At $5.78/share, UPC's share price implies a 13% discount to NAV, in-line with a 13% average discount since the March 2011 Fukushima accident, but below the 1% average premium from January 2008 to March 2011.

Implied Price Below Marginal Cost. UPC is currently implying a uranium price of US$44.55/lb, an 11% discount to current spot prices. We are doubtful the market could support prices below <US$45, given this would put many existing mines under water, as well as remove the incentive necessary to develop the majority of vital, planned and potential new mines.

Bullish on Prices. We are positive on the outlook for uranium prices over the next 6 – 12 months on several potential near-term industry catalysts and compelling supply-demand fundamentals. We project prices to average US$63/lb in 2013E and US$73/lb in 2014E. Refer to our industry section of this report, "Beat the (Atomic) Clock," for details.

Balance Sheet Can Last a While. At February 29, 2012, UPC held C$14.3 mln in cash. We believe this is sufficient to cover three years of non-transaction-related operating costs, which have averaged C$4.3 mln/year since FY2009A. Transaction fees vary widely (from zero to C$3.4 mln) with the size of new equity issues and uranium purchases. We exclude transactions from our model.

Valuation

We derive our target by valuing UPC's current inventory at our 2013E uranium forecast of US$63/lb, net of current assets and liabilities. Please see our Valuation & Recommendation section for further details.

EPS		1Q May	2Q Aug	3Q Nov	4Q Feb	Full Year	Revenue (mln)	NAVPS
	2012A	NA	C$(2.33)E	NA	C$0.26	C$(2.09)	C$1	
Old	2013E	NA	NA	NA	NA	NA	NA	NA
New	**2013E**	**NA**	**2.15**	**NA**	**1.43**	**3.57**	**1**	**6.66**
Old	2014E	NA	NA	NA	NA	NA	NA	NA
New	**2014E**	**NA**	**0.34**	**NA**	**(0.02)**	**0.32**	**0**	**NA**

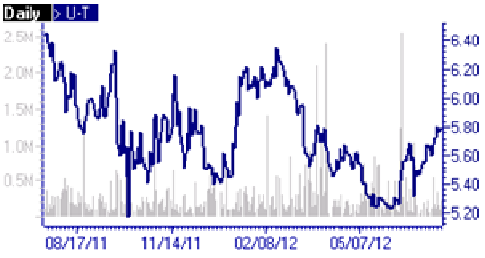
Source: Raymond James Ltd., Thomson One Note: Uranium Participation Corp. releases financial results biannually.

Rating & Target	
Old: Under Review	New: **Strong Buy 1**
Target Price (6-12 mos): Old: UR	New: C$8.00
Current Price (Jul-18-12)	C$5.78
Total Return to Target	38%
52-Week Range	C$6.46 - C$5.00
Market Data	
Market Capitalization (mln)	C$615
Current Net Debt (mln)	-C$14
Enterprise Value (mln)	C$600
Shares Outstanding (mln, basic)	106.4
10 Day Avg Daily Volume (000s)	192
Dividend/Yield	nm/nm

Key Financial Metrics	2012A	2013E	2014E
P/E	nm	1.6x	18.1x
P/NAV		0.9x	NA
CFPS			
Old	C$(0.03)	NA	NA
New	C$(0.03)	C$(0.03)	C$(0.04)
Working Capital (mln)			
Old	C$13.0	NA	NA
New	C$13.0	C$9.4	C$5.4
Capex (mln)			
Old	C$0.0	NA	NA
New	C$0.0	C$0.0	C$0.0
Long Term Debt (mln)			
Old	C$0.0	NA	NA
New	C$0.0	C$0.0	C$0.0
U3O8e Inventory (Mlbs)			
Old	13	NA	NA
New	13	13	13
Valuation (US$/lb)			44.55
Shares Outstanding (mln, f.d.)			106.4

Company Description

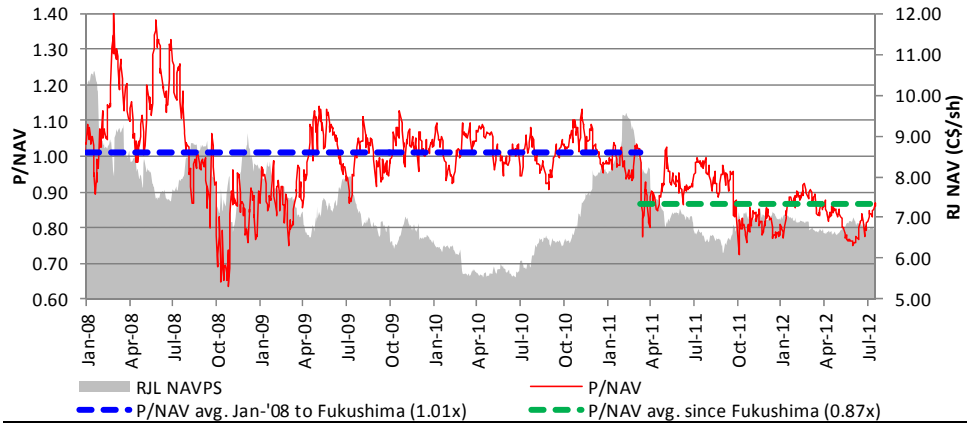
Uranium Participation Corp. is a Canadian-based investment holding company, which strategically buys and holds uranium in the form of oxide concentrates (U3O8) and uranium hexafluoride (UF6).



Investment Overview

Discount vs. Historic Multiples. UPC is currently trading at 0.87x our calculated NAVPS of C$6.66, a discount to the fund's historic multiples. From January 2008 to March 11, 2011 (the Fukushima nuclear accident), the fund averaged 1.01x P/NAV; If we apply that multiple to our NAV today, we calculate a share price of C$6.73/share.

Exhibit 80: UPC Historic NAVPS and P/NAV (January 2008-current)

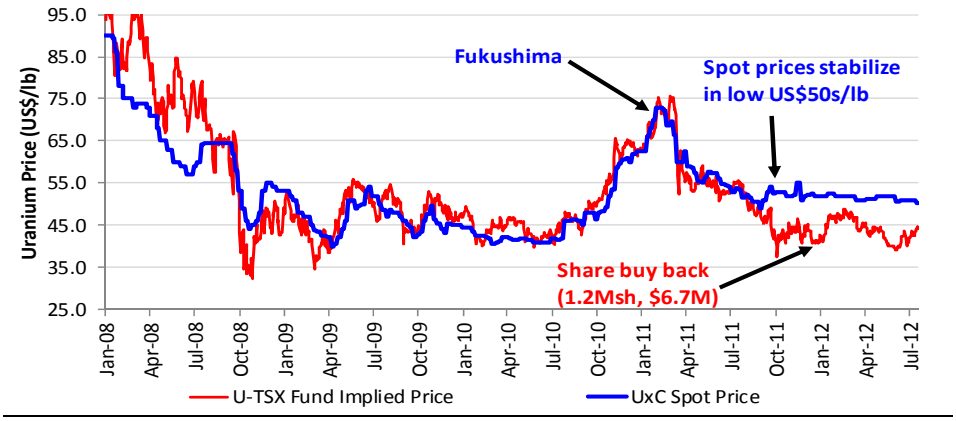


Source: Raymond James Ltd., UxC, Thomson One

Implied Price Below Marginal Cost of Production. UPC is also currently implying a uranium price of US$44.55, an 11% discount to the July 16, 2012 UxC weekly spot price of US$50.15/lb. Prices have not been US$44/lb since July 2010 and we estimate this level is below what is needed to incentivize >75% of the new projects required to meet future demand (see Market section for details); many existing mines would also be cash flow negative if selling product at that price today.

Incongruent with our Uranium Price Outlook. We believe the discount largely reflects recent roiling markets, negative post-Fukushima industry optics, and a consequently dampened market outlook on uranium prices. However, we believe sentiment is poised to turn and a premium to current NAV is justified, given our view of higher future prices. Our target, derived using our 2013E uranium price forecast, implies a 1.18x P/NAV. For reference, UPC traded as high as 1.65x in October 2007 on expectations of higher prices in the future.

Exhibit 81: UPC Fund Implied Price vs. UxC Spot Price (January 2008-current)



Source: Raymond James Ltd., UxC, Thomson One

Takeout Potential. We believe takeout potential is high and possible acquirers can be separated into two camps, including (i) entities that require material, such as producers with future sales commitments, or nuclear utilities; and (ii) financial players seeking an arbitrage opportunity between the current implied price and either the spot or medium-term markets.

Balance Sheet Can Absorb Low Fee Structure. UPC has C$14 mln in cash and equivalents and no debt (at February 29, 2012). Our model assumes no transactions and a burn rate of C$4.3 mln/year, suggesting >3 years before additional capital is required. To us, a likely scenario is an equity issue within the next three years if UPC's price again rises above its NAVPS (e.g., with increasing uranium prices). In-line with the fund's by-laws, >85% of proceeds are required to be spent on increasing inventory, with the remainder available to shore up cash levels.

Additional Information on the Fund

Vitals. UPC's objective is to achieve appreciation in the value of its holdings. Currently, UPC holds 13.42 Mlbs U3O8-equivalent (comprised of 7.25 Mlbs U3O8 and 2.37 MkgU in the form of UF6) at uranium facilities in North America and France. At current spot prices and forex, the market value for this inventory is US$690 mln (or C$698 mln), vs. an acquisition cost of US$718 mln (or C$732 mln).

NAV Calculation. UPC calculates its NAV on a monthly basis by multiplying the quantity of inventoried uranium by the most recently stated month-end prices for U3O8 and UF6, as quoted by UxC. This total is converted to C$ and net assets of the company are added. At June 30, 2012, UPC's stated NAV was C$716.2 mln or C$6.73/share. We derive our NAV in the same way, but apply UxC's weekly quoted spot price for additional accuracy.

Share Movement. Per its by-laws, UPC may issue equity to generate cash and tends to do so when its share price is above its stated NAVPS. At least 85% of proceeds must go towards purchasing uranium. The fund may buy back shares under NCIB and tends to do so when NAVPS is above its share price. UPC can sell some or all of its holdings but has a stated intention not to do so in the near-term. Common shares are not redeemable.

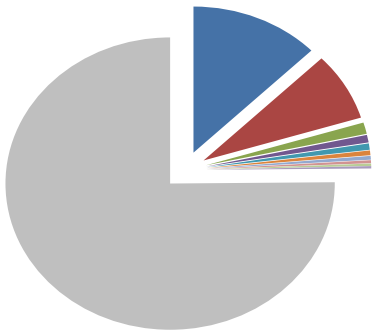
Management Details. A veteran five-man team from Denison Mines manages the fund. The manager receives an annual fee of $1.0 mln plus 0.2% of UPC's total assets over $200 mln. There are also fees for uranium purchases/sales (1.5% of gross value); a takeout of UPC (i.e. >90% shares acquired; fee is 1.5% of the gross value of uranium held prior to the transaction); equity financings over $20 mln ($200k); transaction or arrangement, other than a uranium purchase/sale, over $20 mln ($200k), as well as an on-going fee for related monitoring or work associated with that transaction or arrangement ($200k/year). In 2012A, management fees totaled $1.8 mln.

Fees Summary. Every year, the most significant fees are related to transactions, management (as outlined above) and storage. Remaining G&A costs are typically <$0.8 mln/year. Since FY2007A, total operating costs (excluding foreign exchange) have ranged from $4.7 mln – $6.0 mln/year, with the exception of FY2011A at $8.3 mln; the range is largely dependent on transaction costs, which have fluctuated from zero (FY2012A) to $3.4 mln (FY2011A). For FY2012A, operating costs were equal to only 0.64% of the fund's total assets (and have averaged 0.8% since inception). Offsetting these costs somewhat, UPC may loan out its material for interest income (currently receiving ~$0.7 mln/year).

Recent History. Since inception (May 2005), UPC has raised $647 mln (plus $31.2 mln from the exercise of warrants), with the most recent financing occurring in May 2009 ($100 mln bought deal). UPC's most recent share buyback was during CY4Q11, when the company purchased 1.2 mln of its own shares for $6.7 mln under its NCIB (expired June 13, 2012). UPC receives ~$0.7 mln/year in interest on a small loan initiated in December 2009 (expires December 2012 and its full value is back-stopped by a US$17.8 mln irrevocable letter of credit).

Major Holders. Top shareholders include Wellington Management (12.7%) and Tradewinds Global Investors (7.6%); see Exhibit 82.

Exhibit 82: Uranium Participation Major Shareholders



	Shares	%
Wellington	13,511,106	12.7%
Tradewinds	8,048,378	7.6%
Pekin Singer Strauss	1,346,615	1.3%
CPPIB	878,000	0.8%
Van Eck Associates	749,976	0.7%
J. Zechner Associates	561,610	0.5%
Vanguard	443,874	0.4%
Middlefield Capital	352,500	0.3%
Schärer Meier Partner	275,000	0.3%
AGF	262,000	0.2%
Others	79,921,354	75.1%
	106,350,413	**100.0%**

Source: Raymond James Ltd., Thomson One

Potential Concerns

Liquidation Risk. In the event that UPC runs dangerously low on cash, the company may sell new shares, or some or all of its uranium holdings to generate funds to meet storage, listing, and other fees. The timing of such a 'distressed' sale may not maximize returns. Under the current contract, management is compensated for any equity issue over $20 mln or on any sale of uranium.

Uranium Price Risk. UPC is highly leveraged to the price of uranium. Despite our bullish outlook on prices in the near- to long-term, downward movements in the uranium price would lower UPC's NAVPS, likely putting downward pressure on the share price; a negative market outlook on future uranium prices could also have an adverse impact on UPC's share price.

Valuation and Financials

We have a Strong Buy rating and $8.00 target on Uranium Participation. Our target is derived by pricing UPC's inventory of 13.42 Mlbs U3O8e, net of current assets and liabilities, at our 2013E uranium forecast of US$63/lb. This implies a 1.2x P/NAV multiple applied to UPC's current NAVPS of $6.66.

Exhibit 83: Financial Statements

C$000s (Fiscal year-end Feb-28)	2012A	2013E	2014E	2015E
Income Statement				
Fund Income (incl. unrealized gains/losses on investments)	(237,896)	335,848	33,852	(66,803)
Operating Expenses	(4,187)	(4,186)	(4,186)	(4,186)
SG&A, Forex	(157)	18	18	18
Other	(260)	(110)	(110)	(110)
EBITDA	(242,500)	331,570	29,574	(71,081)
Interest income (expense)	0	0	0	0
Tax recovery (expense)	18,997	51,393	4,584	(11,018)
Change in Net Assets from Operations	(223,503)	382,963	34,157	(82,099)
Weighted Avg. S/O	107	107	107	107
Adjusted EPS (C$/sh; basic)	(2.09)	3.57	0.32	(0.77)
Cash Flow				
Operating	(3,546)	(3,588)	(3,978)	(3,978)
Investing	0	0	0	0
Financing	1,208	0	0	0
Net Change in Cash (net FX)	(2,338)	(3,588)	(3,978)	(3,978)
CFPS (C$/sh; w/o WC)	(0.03)	(0.03)	(0.04)	(0.04)
Cash (EOP)	14,321	10,758	6,780	2,802
Balance Sheet				
Current Assets	14,615	11,052	7,074	3,096
Non-current Assets	702,229	1,091,492	1,129,627	1,051,506
Total Assets	716,844	1,102,543	1,136,701	1,054,602
Current Liabilities	1,663	1,663	1,663	1,663
Non-current Liabilities	3,021	3,021	3,021	3,021
Total Liabilities	4,684	4,684	4,684	4,684
Deficit, other comp income (loss)	(68,578)	317,096	351,254	269,155
Shareholder Equity	780,738	780,738	780,738	780,738
Total Liabilities + Equity	716,844	1,102,518	1,136,676	1,054,577

Source: Raymond James Ltd., Uranium Participation Corporation

Exhibit 84: Financial and Operational Snapshot of Uranium Participation Corp.

Uranium Participation Corp.

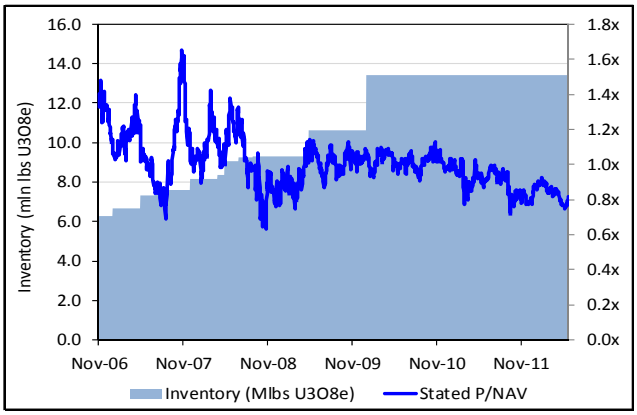
Rating:	**Strong Buy 1**	**U-T**	
6-12 Mth Target	**C$ 8.00**	**NAV**	$6.66
Projected Return:	**38.4%**	**YR-END:**	**Feb 28**

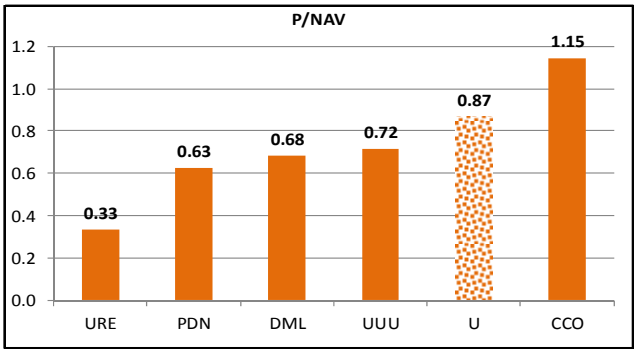
Investment Thesis
- Pure-play exposure to any potential upswing in uranium prices
- Minimal operational risk
- Low sovereign risk

Key Attributes:
- Knowledgable management with industry experience in Denison Mines
- Strategically invests in U3O8 and UF6 to achieve value appreciation
- Currently holds over 13 mln lbs U3O8e

Key Concerns
- Non-diversified
- Low liquidity in the uranium market
- Exposure to potential FX volatility due to a US$-quoted commodity

Inventory Profile *(as of 30-Jun-12)*	**Quantity (Mln)**	**Cost (C$mln)**	**Cost (US$/lb or kgU)**	**Market Value US$/lb,kg**
Uranium Form				
Uranium oxide conc. (lbs U3O8)	7.25	342.50	43.23	$53.50
Uranium Hexafluoride (kgU as UF6)	2.37	390.00	152.06	$153.00
Total U3O8e (lbs)	13.42	732.49	50.25	$53.50
U3O8 Average Cost per lb:				
- In Canadian dollars		47.24		
- In US dollars		43.23		
UF6 Average Cost per KgU				
- In Canadian dollars		164.26		
- In US dollars		152.06		
Uranium				
Fund implied price per lb U3O8e		$44.55		
EV per lb UF6 Portfolio (U3O8e)		$116.27		





RAYMOND JAMES LTD. RESEARCH

Analyst: David Sadowski 604 659 8255
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Reporting Currency: CDN 18-Jul-12

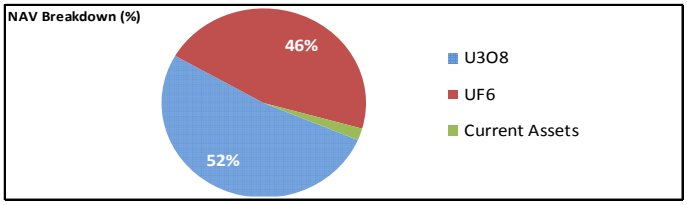
Market Statistics			
Share Price	C$ 5.78	Shares Basic (mln)	106.4
52 Week High/Low	9.50/5.00	Shares Fully Diluted (mln)	106.4
Market Cap. (mln)	$615	Adj. Shares used in NAV calc (mln)	106.4
Enterprise Value (mln)	$600	Avg Daily (4wk) Volume:	223,830
Total model'd lbs in DCF (mln)	13.4	Dividend	$0.00

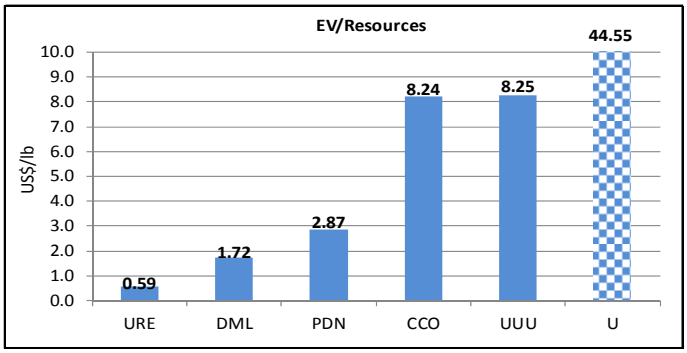
Financial Metrics (FY)	**2011A**	**2012A**	**2013E**	**2014E**	**2015E**
Cash ($mln)	16.7	14.3	10.8	6.8	2.8
Working capital ($mln)	15.4	13.0	9.4	5.4	1.4
Current ratio (x)	10.6	8.8	6.6	4.3	1.9
LT Debt ($mln)	0.0	0.0	0.0	0.0	0.0
Common Equity ($mln)	934	712	1,098	1,132	1,050
Price/book (x)	0.6	0.9	0.6	0.5	0.6
LTD/(LTD + Equity)	0.0%	0.0%	0.0%	0.0%	0.0%
ROE	32%	nm	35%	3%	nm
ROIC	31%	-31%	35%	3%	-8%

Earnings/Cash Flow	**2011A**	**2012A**	**2013E**	**2014E**	**2015E**
RJ Uranium Forecast US$/lb	57.09	53.50	63.00	72.50	75.00
Revenue ($mln)	1.2	0.9	0.7	0.3	0.3
EBITDA ($mln)	331.8	-242.5	331.6	29.6	-71.1
EBITDA margin	nm	nm	nm	nm	nm
EV/EBITDA (x)	1.8	nm	1.8	20.3	nm
EBIT ($mln)	331.8	-242.5	331.6	29.6	-71.1
Net earnings ($mln)	301.7	-223.5	383.0	34.2	-82.1
EPS ($)	2.88	-2.09	3.57	0.32	-0.77
P/E (x)	2.0	nm	1.6	18.1	nm
Operating Cash Flow ($mln)	-6.1	-3.5	-3.6	-4.0	-4.0
CFPS ($)	-0.06	-0.03	-0.03	-0.04	-0.04
P/CF (x)	nm	nm	nm	nm	nm
Capex ($mln)	0.0	0.0	0.0	0.0	0.0

Valuation (C$)	**$mln**	**$/share**	**% of NAV**
Uranium Inventory	697.9	$6.56	99%
Current Assets	14.6	$0.14	2%
Current Liabilities	-4.7	-$0.04	-1%
Current NAV	**$708**	**$6.66**	**100%**
Target NAV and Target Price:	**$855**	**$8.00**	

Valuation Measures	**Implied Target Multiple**	**Current Multiple**
Price/2012E NAVPS (x)	1.2	0.9
Price/2013E CFPS (x)	nm	nm





Source: Raymond James Ltd., UxC, Thomson One, Capital IQ, Uranium Participation Corporation

Appendix 1: Global EV/lb Comparison

Global Uranium Equity Comps

18-Jul-12

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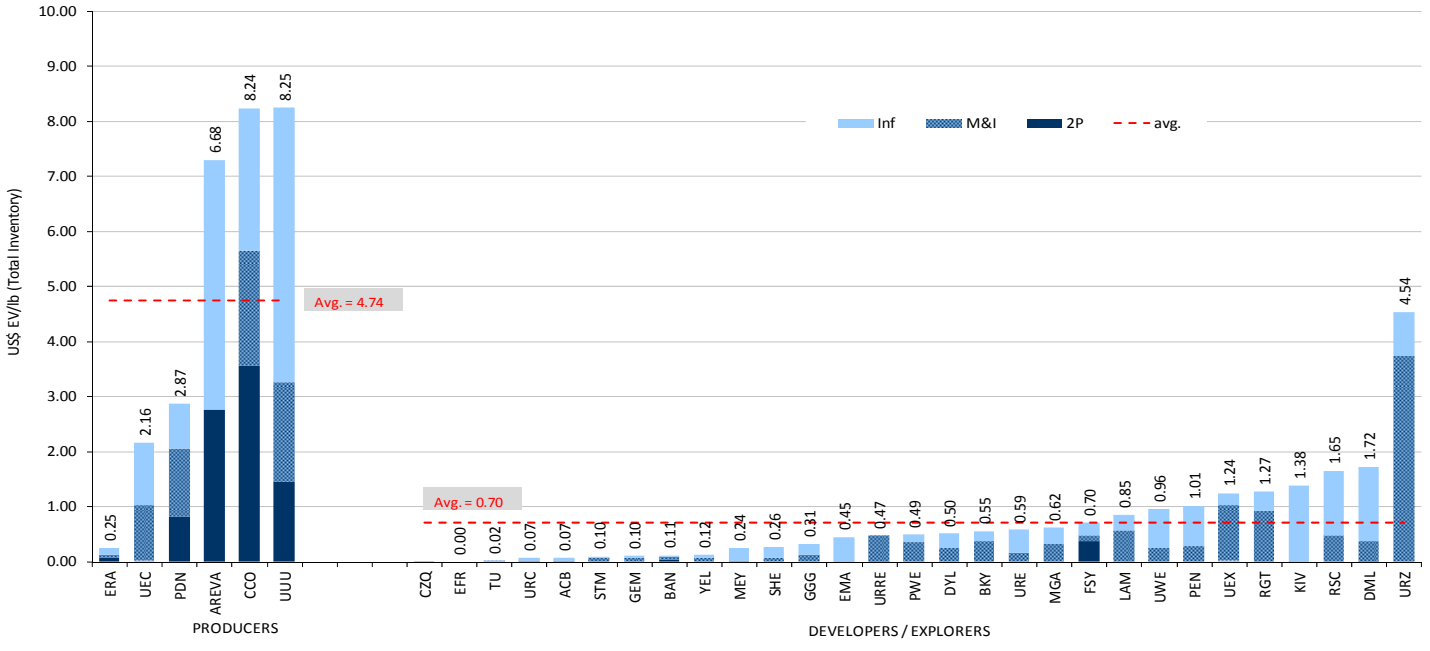
Spot Uranium (US$/lb):	$50.15											Corporate Resources				EV/Res		
Spot Exchange (C$/US$):	$1.01		Share	Basic S/O	MC	Debt	Cash	Net Cash	EV	Principal		2P	M+I	All	Grade	EV/2P	EV/M&I	EV/All
		Exch.	Price (C$)	(mln)	(C$mln)	(C$mln)	(C$mln)	(C$mln)	(US$mln)	Project	Region	(Mlbs)	(Mlbs)	(Mlbs)	(%U3O8)	(US$/lb)	(US$/lb)	(US$/lb)
PRODUCERS																		
Areva SA	AREV	ENXTPA	$14.21	382.0	5,428	6,520	3,100	-3,421	8,749	McArthur River	Saskatchewan	541.2	421.1	1,309.3	0.09%	16.17	20.78	6.68
Cameco Corp.	CCO	TSX	$22.34	395.3	8,830	922	1,358	436	8,299	McArthur River	Saskatchewan	435.4	689.7	1,007.5	0.17%	19.06	12.03	8.24
Energy Resources of Australia	ERA	ASX	$1.57	517.7	814	0	660	660	152	Ranger	Australia	179.0	289.2	613.5	0.15%	0.85	0.53	0.25
Paladin Energy, Ltd.	PDN	TSX	$1.12	835.4	936	815	174	-641	1,559	Langer Heinrich	Namibia	155.1	387.3	543.0	0.07%	10.05	4.02	2.87
Uranium Energy Corp.	UEC	AMEX	$2.06	84.8	175	0	26	26	147	Palangana	Texas	0.7	32.5	68.4	0.05%	202.71	4.54	2.16
Uranium One Inc.	UUU	TSX	$2.46	957.2	2,355	860	518	-342	2,666	South Inkai	Kazakhstan	57.0	128.0	323.3	0.04%	46.77	20.84	8.25
Weighted Average																21.79	15.96	**7.12**
Straight Average																49.27	10.46	**4.74**
DEVELOPERS/EXPLORERS																		
A-Cap Resources Ltd.	ACB	ASX	$0.17	200.1	33	0	7	7	26	Letlhakane	Botswana	-	74.7	351.0	0.02%	-	0.35	0.07
Bannerman Resources Limited	BAN	TSX	$0.13	297.2	37	7	14	7	30	Etango	Namibia	95.7	214.8	265.9	0.02%	0.31	0.14	0.11
Berkeley Resources Ltd.	BKY	ASX	$0.47	174.3	82	0	45	45	37	Salamanca	Spain	-	44.9	66.8	0.04%	-	0.82	0.55
Continental Precious Minerals,	CZQ	TSX	$0.23	51.7	12	0	14	14	-2	Viken	Sweden	-	1,051.0	1,068.2	0.02%	-	0.00	0.00
Deep Yellow Ltd.	DYL	ASX	$0.04	1,128.7	50	0	8	8	41	Omahola	Namibia	-	39.3	82.1	0.03%	-	1.05	0.50
Denison Mines Corp.	DML	TSX	$1.33	384.7	512	1	44	43	463	Wheeler River	Saskatchewan	0.2	58.7	268.9	0.07%	2,742.19	7.89	1.72
Energy and Minerals Australia	EMA	ASX	$0.07	387.9	29	8	9	1	27	Mulga Rocks	Australia	-	-	59.9	0.05%	-	-	0.45
Energy Fuels Inc.	EFR	TSX	$0.14	0.0	0	0	0	0	0	Whirlwind	Colorado	18.4	60.2	81.1	0.18%	0.00	0.00	0.00
Forsys Metals Corp.	FSY	TSX	$0.84	109.9	92	0	13	13	79	Valencia	Namibia	60.4	77.5	112.2	0.01%	1.30	1.02	0.70
Greenland Minerals and Energy	GGG	ASX	$0.42	416.4	174	0	11	11	161	Kvanefjeld	Greenland	-	200.9	512.8	0.03%	-	0.80	0.31
Kivalliq Energy Corp.	KIV	TSXV	$0.34	149.2	51	0	13	13	37	Angilak	Nunavut	-	-	27.1	0.69%	-	-	1.38
Laramide Resources Ltd.	LAM	TSX	$0.80	70.8	57	0	0	0	56	Westmoreland	Australia	-	43.5	65.3	0.10%	-	1.28	0.85
Macusani Yellowcake, Inc.	YEL	TSXV	$0.14	107.8	15	0	10	10	5	Colibri	Peru	-	22.3	39.4	0.03%	-	0.21	0.12
Marenica Energy Ltd	MEY	ASX	$0.02	501.7	9	2	1	-1	10	Marenica	Namibia	-	3.5	41.6	0.01%	-	2.87	0.24
Mega Uranium Ltd.	MGA	TSX	$0.19	267.1	51	0	2	2	48	Lake Maitland	Australia	-	40.7	78.2	0.07%	-	1.18	0.62
Pele Mountain Resources Inc.	GEM	TSXV	$0.07	149.0	10	0	2	2	8	Eco Ridge	Ontario	-	55.8	77.5	0.03%	-	0.14	0.10
Peninsula Energy Limited	PEN	ASX	$0.03	2,136.0	71	0	19	19	52	Lance	Wyoming	-	14.7	51.5	0.05%	-	3.52	1.01
Powertech Uranium Corp.	PWE	TSX	$0.12	103.3	12	3	3	0	12	Centennial	U.S.	-	18.1	25.0	0.11%	-	0.68	0.49
Rockgate Capital Corp.	RGT	TSX	$0.34	116.6	40	0	7	7	33	Falea	Mali	-	18.6	25.7	0.10%	-	1.76	1.27
Strateco Resources Inc.	RSC	TSX	$0.29	167.2	48	8	11	3	45	Matoush	Quebec	-	7.8	27.0	0.49%	-	5.74	1.65
Strathmore Minerals Corp.	STM	TSX	$0.26	104.5	27	0	10	10	17	Roca Honda	New Mexico	-	116.2	178.0	0.06%	-	0.15	0.10
Stonehenge Metals Limited	SHE	ASX	$0.03	289.9	9	0	2	2	7	Daejon	South Korea	-	7.8	27.0	0.49%	-	0.91	0.26
Tigris Uranium Corp.	TU	TSXV	$0.16	59.8	10	0	9	9	1	Crown Point	New Mexico	-	15.0	39.1	0.10%	-	0.04	0.02
U308 Corp.	UWE	TSXV	$0.34	122.4	41	0	13	13	27	Kurupung	Guyana	-	7.4	28.6	0.11%	-	3.72	0.96
UEX Corp.	UEX	TSX	$0.56	221.5	124	0	19	19	104	Shea Creek	Saskatchewan	1.5	69.3	84.0	0.40%	69.90	1.51	1.24
Uracan Resources, Ltd.	URC	TSXV	$0.03	132.8	3	0	0	0	3	North Shore	Quebec	-	6.8	43.8	0.01%	-	0.48	0.07
Uranerz Energy Corp.	URZ	TSX	$1.49	77.2	115	0	28	28	86	Nichols Ranch	Wyoming	-	15.7	19.1	0.11%	-	5.51	4.54
Uranium Resources, Inc.	URRE	NASDAQ	$0.55	106.1	58	0	10	9	48	Kingsville Dome	New Mexico	0.7	102.1	102.1	0.15%	73.96	0.47	0.47
UR-Energy Inc.	URE	TSX	$0.67	121.1	81	0	37	37	44	Lost Creek	Wyoming	-	21.2	75.3	0.05%	-	2.08	0.59
Weighted Average																1,768.61	3.79	**1.24**
Straight Average																481.28	1.64	**0.70**

Source: Company reports, CapitalIQ, UxC, TradeTech, Raymond James Ltd.

Notes: Enterprise Value (EV) = market capitalization + net debt; "All" resource category may include inferred and historic, non-43-101 compliant resources; Average is weighted by EV (US$)



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Appendix 2: Covered Equity Comparisons

Market Statistics (in CAD$) — David Sadowski, 604.659.8255 — david.sadowski@raymondjames.ca

Spot Uranium Price (US$/lb) 50.15 Spot CAD/USD 1.01 18-Jul-12	Ticker	Share Price (C$)	RJL Stock Rating	Cnsus Stock Rating	RJL 6-12 Mo Target (C$)	RJL Target Return (%)	Cnsus 6-12 Mo Target (C$)	Basic Shares O/S (C$mln)	Mkt Cap (C$mln)	Total Debt (C$mln)	Cash (C$mln)	EV (C$mln)	WCap per sh (C$)	NAVPS (C$)	P/ NAV (x)	EV/ All US$/lb US$/oz
URANIUM PRODUCERS																
Cameco Corp.	CCO	$22.34	2	2	$28.00	25%	$30.00	395.3	8,830	922	1,358	8,394	4.66	$19.50	1.15 x	8.24
Paladin Energy, Ltd.	PDN	$1.12	2	2	$1.80	61%	$2.08	835.4	936	815	174	1,577	0.22	$1.79	0.63 x	2.87
Uranium One Inc.	UUU	$2.46	2	2	$3.60	46%	$4.45	957.2	2,355	860	518	2,697	0.65	$3.43	0.72 x	8.25
Weighted Average						**34%**									**0.99 x**	**7.57 x**
URANIUM DEVELOPERS and EXPLORERS																
Denison Mines Corp.	DML	$1.33	3	3	$0.61	-54%	$1.88	384.7	512	1	44.0	469	0.00	$1.95	0.68 x	1.72
UR-Energy Inc.	URE	$0.67	1	2	$1.50	124%	$1.80	121.1	81	0	37	45	0.30	$2.02	0.33 x	0.59
Weighted Average						**-39%**									**0.65 x**	**1.62 x**
URANIUM FUNDS																
Uranium Participation Corp.	U	$5.78	1	2	$8.00	38%	$7.35	106.4	615	0	14	600	0.12	$6.66	0.87 x	44.55

Share Price Performance (in CAD$) — David Sadowski, 604.659.8255 — david.sadowski@raymondjames.ca

Spot Uranium (US$/lb) 50.15 Spot CAD/USD 1.01 18-Jul-12	Ticker	Curr Price	Annual High Price	Annual High Date	% chg AH	Annual Low Price	Annual Low Date	% chg AL	Price Change Day	Week	Mo	Qtr	Year
URANIUM PRODUCERS													
Cameco Corp.	CCO	$22.34	$27.05	07/26/11	-17%	$17.25	11/25/11	30%	0%	-1%	4%	7%	-10%
Paladin Energy, Ltd.	PDN	$1.12	$2.85	07/27/11	-61%	$1.07	10/04/11	5%	-6%	-10%	-15%	-36%	-54%
Uranium One Inc.	UUU	$2.46	$3.82	07/26/11	-36%	$1.85	10/04/11	33%	0%	-3%	-7%	-19%	-23%
Weighted Average					**-26%**			**27%**	**0%**	**-2%**	**0%**	**-3%**	**-18%**
URANIUM DEVELOPERS and EXPLORERS													
Denison Mines Corp.	DML	$1.33	$2.08	07/25/11	-36%	$0.87	10/04/11	53%	-4%	-4%	-13%	-24%	-26%
UR-Energy Inc.	URE	$0.67	$1.63	08/04/11	-59%	$0.65	07/20/12	3%	-6%	-9%	-21%	-39%	-55%
Weighted Average					**-38%**			**48%**	**-4%**	**-4%**	**-14%**	**-25%**	**-29%**
URANIUM FUNDS													
Uranium Participation Corp.	U	$5.78	$6.42	07/26/11	-10%	$5.00	10/04/11	16%	0%	2%	3%	3%	-10%

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 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, '10A=US$46.37/lb, '11E=US$57.09/lb, '12E=US$53.50/lb, '13E=US$63.00/lb, '14E=US$72.50/lb, LT=US$70.00/lb

C$/US$ Price Forecast '09A=0.88, '10A=0.97, '11E=1.01, '12E=1.00, '13E=1.00, '14E=1.00, Long Term=1.00

Company Citations

Company Name	Ticker	Exchange	Currency	Closing Price	RJ Rating	RJ Entity
A-Cap Resources Ltd.	ACB	ASX			NC	
AGF Management Limited	AGF.B	TSX			NC	
AngloGold Ashanti Ltd.	AU	NYSE			NC	
Areva SA	AREVA	EPA			NC	
Aura Silver Resources Inc.	AUU	TSXV			NC	
Bannerman Resources Limited	BAN	TSX			NC	
Berkeley Resources Ltd.	BKY	ASX			NC	
BHP Billiton Ltd	BBL	NYSE			NC	
Continental Precious Minerals, Inc.	CZQ	TSX			NC	
Deep Yellow Ltd.	DYL	ASX			NC	
Energy and Minerals Australia Limited	EMA	ASX			NC	
Energy Fuels Inc.	EFR	TSX			NC	
Energy Resources of Australia Ltd.	ERA	ASX			NC	
European Uranium Resources Ltd.	EUU	TSXV			NC	
Fidelity National Financial, Inc.	FNF	NYSE			NC	
Fission Energy Corp.	FIS	TSXV			NC	
Forsys Metals Corp.	FSY	TSX			NC	
Galahad Metals Inc.	GAX	TSXV			NC	
Greenland Minerals and Energy Limited	GGG	ASX			NC	
Heritage Oil Corp.	HOC	TSXV			NC	
Kivalliq Energy Corp.	KIV	TSXV			NC	
Laramide Resources Ltd.	LAM	TSX			NC	
Macusani Yellowcake Inc.	YEL	TSXV			NC	
Marenica Energy Ltd.	MEY	ASX			NC	
Mega Uranium Ltd.	MGA	TSX			NC	
Newmont Mining Corporation	NEM	NYSE			NC	
Pele Mountain Resources Inc.	GEM	TSXV			NC	
Peninsula Energy Ltd.	PEN	ASX			NC	
Powertech Uranium Corp	PWE	TSX			NC	
Rio Tinto	RIO	NYSE			NC	
Rockgate Capital Corp.	RGT	TSX			NC	
Stonehenge Metals Limited	SHE	ASX			NC	
Strateco Resources Inc.	RSC	TSX			NC	
Strathmore Minerals Corp	STM	TSX	C$	0.26	UR	RJ LTD.
Tigris Uranium Corp.	TU	TSXV			NC	
Tullow Oil	TLW	LSE			NC	
U308 Corp.	UWE	TSXV			NC	
UEX Corporation	UEX	TSX			NC	
Uracan Resources, Ltd.	URC	TSXV			NC	
Uranerz Energy Corp.	URZ	TSX			NC	
Uranium Energy Corp.	UEC	AMEX			NC	
Uranium Resources Inc.	URRE	NASDAQ			NC	
USEC Inc.	USU	NYSE			NC	
Wildhorse Energy Limited	WHE	LSE			NC	

Notes: Prices are as of the most recent close on the indicated exchange and may not be in US$. See Disclosure section for rating definitions. Stocks that do not trade on a U.S. national exchange may not be approved for sale in all U.S. states. NC=not covered.

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Raymond James Latin American rating definitions

Strong Buy (SB1) Expected to appreciate and produce a total return of at least 25.0% over the next twelve months. Outperform (MO2) Expected to appreciate and produce a total return of between 15.0% and 25.0% over the next twelve months. Market Perform (MP3) Expected to perform in line with the underlying country index. Underperform (MU4) Expected to underperform the underlying country index. Suspended (S) The rating and price target have been suspended temporarily. This action may be due to market events that made coverage impracticable, or to comply with applicable regulations or firm policies in certain circumstances, including when Raymond James may be providing investment banking services to the company. The previous rating and price target are no longer in effect for this security and should not be relied upon.

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Growth (G) Low to average risk equities with sound financials, more consistent earnings growth, at least a small dividend, and the potential for long-term price appreciation.

Aggressive Growth (AG) Medium or higher risk equities of companies in fast growing and competitive industries, with less predictable earnings and acceptable, but possibly more leveraged balance sheets.

High Risk (HR) Companies with less predictable earnings (or losses), rapidly changing market dynamics, financial and competitive issues, higher price volatility (beta), and risk of principal.

Venture Risk (VR) Companies with a short or unprofitable operating history, limited or less predictable revenues, very high risk associated with success, and a substantial risk of principal.

Rating Distributions

	Coverage Universe Rating Distribution				Investment Banking Distribution			
	RJL	RJA	RJ LatAm	RJEE	RJL	RJA	RJ LatAm	RJEE
Strong Buy and Outperform (Buy)	64%	54%	36%	52%	39%	16%	4%	0%
Market Perform (Hold)	33%	39%	55%	32%	23%	8%	0%	0%
Underperform (Sell)	2%	7%	9%	16%	40%	0%	0%	0%

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Company Name	Disclosure
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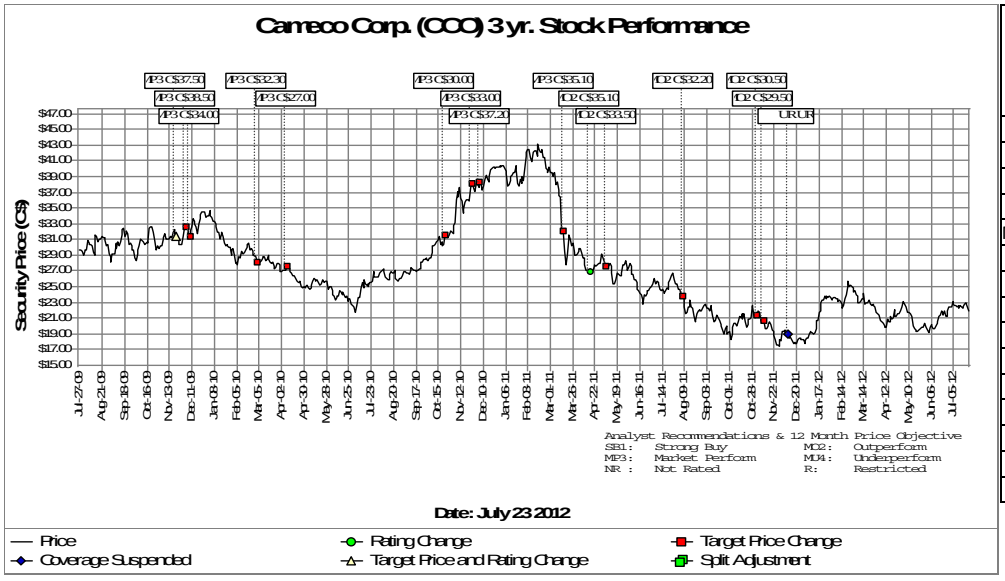
Target Prices: The information below indicates target price and rating changes for the subject companies included in this research.

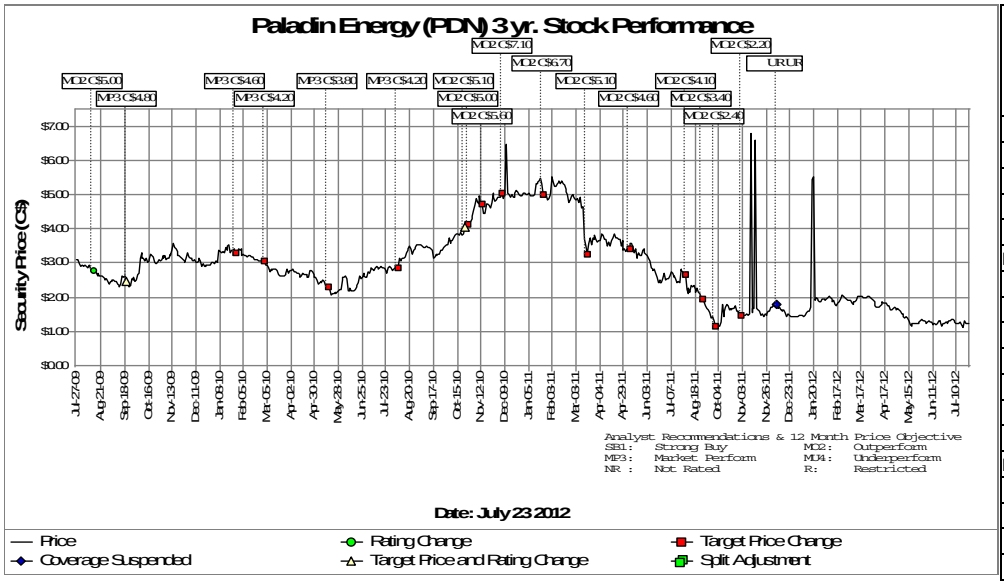


Update Date	Closing Price	Target Price	Rating
Dec-08-11	19.01	UR	UR
Nov-08-11	20.64	29.50	2
Nov-02-11	21.36	30.50	2
Aug-05-11	23.76	32.20	2
May-06-11	27.68	33.50	2
Apr-15-11	26.92	35.10	2
Mar-16-11	32.07	35.10	3
Dec-07-10	38.28	37.20	3
Nov-25-10	38.18	33.00	3
Oct-25-10	31.58	30.00	3
Apr-09-10	27.63	27.00	3
Mar-03-10	28.10	32.30	3
Dec-09-09	31.32	34.00	3
Dec-04-09	32.65	38.50	3
Nov-23-09	31.42	37.50	3

Valuation Methodology: We value Cameco Corp. on a comparative basis by applying a blended 50/50 average of historic P/NAV and P/CF to our company NAVPS estimate and future cash flow projection, respectively.

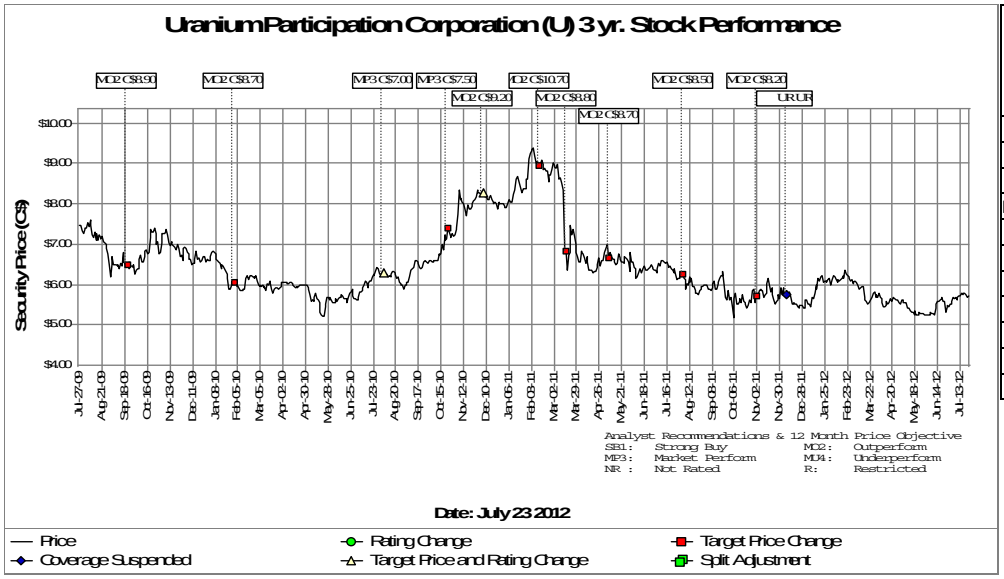
Update Date	Closing Price	Target Price	Rating
Dec-08-11	1.48	UR	UR
Aug-04-11	1.86	2.00	3
May-06-11	2.10	2.50	3
Mar-16-11	2.34	2.60	3
Jan-20-11	3.28	2.90	3
Dec-07-10	3.45	3.00	3
Nov-04-10	2.57	2.60	3
Oct-25-10	2.23	2.60	2
Oct-19-10	2.19	2.40	2
May-10-10	1.49	2.30	1
Mar-31-10	1.48	2.50	1
Sep-22-09	2.23	3.30	1

Valuation Methodology: We value Denison Mines Corp. on a comparative basis by applying a historic P/NAV to our company NAVPS estimate.



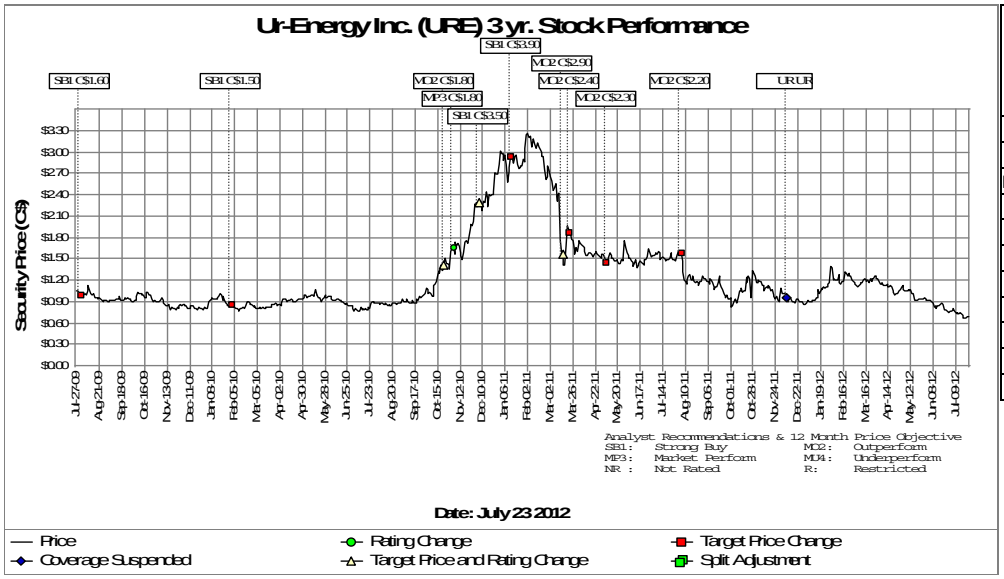
Update Date	Closing Price	Target Price	Rating
Dec-08-11	1.77	UR	UR
Nov-02-11	1.48	2.20	2
Sep-28-11	1.17	2.40	2
Sep-07-11	1.95	3.40	2
Aug-04-11	2.66	4.10	2
May-06-11	3.41	4.60	2
Mar-16-11	3.24	5.10	2
Jan-21-11	5.00	6.70	2
Dec-07-10	5.03	7.10	2
Nov-15-10	4.73	5.60	2
Oct-28-10	4.13	5.00	2
Oct-25-10	4.03	5.10	2
Aug-06-10	2.84	4.20	3
May-17-10	2.30	3.80	3
Mar-03-10	3.04	4.20	3
Jan-28-10	3.31	4.60	3
Sep-22-09	2.47	4.80	3
Aug-13-09	2.77	5.00	2

Valuation Methodology: We value Paladin Energy Ltd. on a comparative basis by applying a historic P/NAV to our company NAVPS estimate.



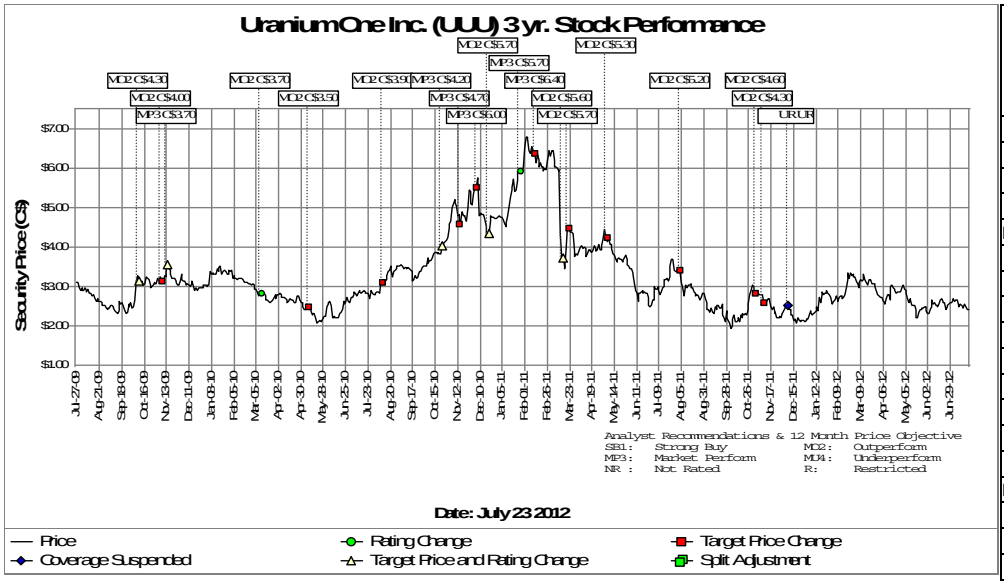
Update Date	Closing Price	Target Price	Rating
Dec-08-11	5.75	UR	UR
Nov-02-11	5.72	8.20	2
Aug-04-11	6.24	8.50	2
May-06-11	6.67	8.70	2
Mar-16-11	6.84	8.80	2
Feb-11-11	8.95	10.70	2
Dec-07-10	8.26	9.20	2
Oct-25-10	7.40	7.50	3
Aug-05-10	6.28	7.00	3
Feb-02-10	6.07	8.70	2
Sep-22-09	6.50	8.90	2

Valuation Methodology: We value Uranium Participation Corp. by pricing the company's uranium inventories, net of current assets and liabilities, at our U3O8 price assumption for next year.



Update Date	Closing Price	Target Price	Rating
Dec-08-11	0.95	UR	UR
Aug-04-11	1.59	2.20	2
May-06-11	1.45	2.30	2
Mar-23-11	1.87	2.40	2
Mar-16-11	1.57	2.90	2
Jan-12-11	2.94	3.90	1
Dec-07-10	2.28	3.50	1
Nov-04-10	1.65	1.80	3
Oct-25-10	1.42	1.80	2
Feb-02-10	0.86	1.50	1
Jul-29-09	1.00	1.60	1

Valuation Methodology: We value Ur-Energy Inc. on a comparative basis by applying a historic P/NAV to our company NAVPS estimate.



Update Date	Closing Price	Target Price	Rating
Dec-08-11	2.52	UR	UR
Nov-10-11	2.57	4.30	2
Nov-02-11	2.83	4.60	2
Aug-04-11	3.43	5.20	2
May-06-11	4.23	5.30	2
Mar-22-11	4.48	5.70	2
Mar-16-11	3.73	5.60	2
Feb-11-11	6.39	6.40	3
Jan-26-11	5.94	5.70	3
Dec-20-10	4.35	5.70	2
Dec-07-10	5.52	6.00	3
Nov-16-10	4.57	4.70	3
Oct-25-10	4.03	4.20	3
Aug-11-10	3.10	3.90	2
May-11-10	2.49	3.50	2
Mar-12-10	2.81	3.70	2
Nov-16-09	3.56	3.70	3
Nov-09-09	3.13	4.00	2

Valuation Methodology: We value Uranium One Inc. on a comparative basis by applying a blended 50/50 average of historic P/NAV and P/CF to our company NAVPS estimate and future cash flow projection, respectively.

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Risks - Cameco Corporation

i) A decline in the price of gold affects the equity resource market independent of commodity; as such, Cameco may be at risk of not being able to fund future exploration or development if gold prices decline; ii) uranium is a highly regulated business and therefore requires long lead times in order to permit projects; Cameco is at risk of being delayed on future development of current or future projects; iii) continued escalation of mining-related capital costs may reduce profitability; iv) uncertainty surrounding the long-term uranium supply-demand framework and resulting price levels.

Risks - Denison Mines Corp.

i) A decline in the price of gold affects the equity resource market independent of commodity; as such, Denison may be at risk of not being able to fund future exploration or development if gold prices decline; ii) uranium is a highly regulated business and therefore requires long lead times in order to permit projects; Denison is at risk of being delayed on future development of current or future projects; iii) continued escalation of mining-related capital costs which may reduce profitability; iv) uncertainty surrounding the long-term uranium supply-demand framework and resulting price levels; v) some of Denison's production comes from minority interests in uranium operations in Saskatchewan; the company therefore does not have direct control over all of its production.

Risks - Paladin Energy Ltd.

i) A decline in the price of gold affects the equity resource market independent of commodity; as such, Paladin may be at risk of not being able to fund future exploration or development if gold prices decline; ii) uranium is a highly regulated business and therefore requires long lead times in order to permit projects; Paladin is at risk of being delayed on future development of current or future projects; iii) continued escalation of mining-related capital costs may reduce profitability; iv) uncertainty surrounding the long-term uranium supply-demand framework and resulting price levels.

Risks - Uranium Participation Corp.
i) A decline in the price of gold affects the equity resource market independent of commodity; as such, a decline in the price of gold may impact UPC's share price; ii) a nuclear accident or terrorist attack on a nuclear reactor may undermine world reactor growth, which could impact uranium prices and uranium equities; iii) uncertainty surrounding the long-term uranium supply-demand framework and resulting price levels.

Risks - Ur-Energy Inc.
i) A decline in the price of gold affects the equity resource market independent of commodity; as such, Ur-Energy may be at risk of not being able to fund future exploration or development if gold prices decline; ii) uranium is a highly regulated business and therefore requires long lead times in order to permit projects; Ur-Energy is at risk of being delayed on future development of current or future projects; iii) continued escalation of mining-related capital costs may reduce profitability if and when operations commence; iv) uncertainty surrounding the long-term uranium supply-demand framework and resulting price levels; v) inherent risks with the ISR extraction method, as well as, political risk in the United States.

Risks - Uranium One Inc.
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