

Growth Stocks Weekly

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Performance: Year ended April 1996 116.9%; 1997 28.1%; 1998 36.4%; 1999 39.4%; 2000 180.9%; 2001 -50.5%; 2002 18.7%; 2003 28.8%; 2004 166.7%; 2005 28.2%; 2006 153.3%

Junior Gold and Natural Resource Sector Report

October 2, 2006

Early Stage Uranium Opportunity

Uracan Resources Ltd. (URC-TSX Venture Exchange)

(Formerly UFM Ventures Ltd.)

UPDATE



Daily chart, High C1.00, Low C\$0.18, Last Trade C\$0.45

Uracan Resources (URC-TSXv) is exploring for Uranium in Canada, specifically targeting shallow deposits with large tonnage potential. These types of deposits are cheap to acquire, cheap to drill and cheap to mine. Within Uracan's North Shore Property work records by Denison from 1967 evidence three trenches grading 0.24% Uranium Oxide (U_3O_8) over 13.7metres (m), 0.217% over 47.9m, and 0.238% over 24.4m. No follow up work was undertaken. That's 5 pounds per tonne rock valued today at over C\$305 per tonne, with the potential added benefit of low-cost extraction using near-surface methods. That's like pulling ½ ounce gold per tonne without going underground whereas 1 gram per tonne is usually sufficient, given enough of it!

These types of grades could be highly lucrative with the price of U_3O_8 now in the mid-US\$50's per pound. Most analysts believe the price is only going higher as demand is forecast to exceed supply for many years to come. During the last commodity bull market in the 1970's, adjusted for inflation, U_3O_8 hit highs of over US\$115 per pound. We believe the

company's strategy and backer Endeavour Financial's strategic record offers investors an opportunity to hitch onto another early stage winner.

Quick facts:

- 914 square kilometers of prospective U₃O₈ properties on the north shore of the Gulf of St. Lawrence, Quebec.
- Three separate dykes have identified 40 metres plus of 5 lbs per tonne U₃O₈ at surface
- Geologically similar to deposits as Rossing in Namibia and Madawaska mine, in Ontario
- Entourage Mining (right next door) recently channel sampled 15 lbs U₃O₈ per tonne over 1.5 meters.
- Recently acquired 100% interest in 20 square kilometers in Northern Saskatchewan
- Selected diamond drill hole intercepts from the Pipewrench Lake Claim in Saskatchewan include:
 - 6.6 meters of 1.0 kg U₃O₈, (21.8 feet of 2.3 lbs U₃O₈)
 - 7.52 meters of 0.77 kg U₃O₈ (24.7 feet of 1.7 lbs U₃O₈)
 - 5.9 meters of 0.85 kg U₃O₈ (19.5 feet of 1.87 lbs U₃O₈)
- Selected historic diamond drill hole intercepts on the Narrows Lake Claim in Saskatchewan include
 - 18.29 meters of 0.73 kg U₃O₈ (60 feet of 1.6 lbs U₃O₈)
 - 13.66 meters of 0.6 kg U₃O₈ (44.8 feet of 1.3 lbs U₃O₈)
 - 11.31 meters of 0.60 kg U₃O₈ (37.1 feet of 1.3 lbs U₃O₈)

Recent History

On March 30, 2006 Uracon (under its original name UFM Ventures Ltd., old trading symbol UFM-TSXv) announced its option to purchase 100-per-cent of the Lac Turgeon, Wee Gee, Pontbriand and Ne Costbelle properties in Quebec, thereby entering the "hot" uranium sector with an initial large and compelling asset. We suggested in our April 2006 report that Uracon would now attract a qualified management and fund-raising team.

At the time the company was essentially a shell, with about \$900,000 cash, 32 million common shares issued and 1,425,000 stock options outstanding, with 925,000 exercisable at \$0.10 until November 21, 2008. The company also granted 500,000 5-year stock options with an exercise price of \$0.29 per share.

While there were no reported shareholders controlling 10% or more of the shares outstanding, then-president and director Gordon Keep disclosed about 350,000 shares and 275,000 options held. He is Managing Director, Corporate Finance of Endeavour Financial Ltd., a name synonymous with the introduction and management of high-profile, strategically-positioned and well-funded resource vehicles such as Wheaton River (now Goldcorp), Northern Orion, UrAsia Energy and many others.

Back in December 2003 Uracon had entered into a financial advisory and office facilities agreement giving Endeavour a monthly work fee and Uracon the use of its office facilities. A success fee on completion of any business combination or similar transaction equal to 2% of the value of the transaction was contracted.

With the option on the Quebec properties in place, Uracon immediately commissioned a National Instrument 43-101 report and was required to complete a private placement of five million common shares at \$0.40 per share to raise \$2-million to fund the acquisition and initial exploration of the properties.

In late July 2006 Uracon closed a nonbrokered private placement of 5,000,000 shares at \$0.40 per share for gross proceeds of \$2,000,000, and a brokered private placement with Canaccord Capital Corporation of 3,060,000 flow-through shares at \$0.45 per share for gross proceeds of \$1,377,000. Canaccord received a cash commission of \$82,620 and 183,600 Agent's Warrants exercisable into common shares at \$0.50 per share for a period of one year. All of the shares issued pursuant to the property acquisition and the related financings are subject to a four month hold period expiring November 28, 2006.

Uracon then announced that Mr. Gregg Sedun was appointed as Chairman of the Board and Mr. Tom Garagan, P.Geo has been appointed to the Board of Directors. Mr. Sedun was a founding director of Diamond Fields Resources (bought by Inco in the 1990's for \$4.3 billion) and Adastra Mining (bought by First Quantum earlier this year). Mr. Garagan is Vice President Exploration of Bema Gold Corp. and was instrumental in several discoveries, including the Cerro Casale and Kupol deposits.

Properties Quebec

The Quebec land position totals 914 square kilometres (over 90,000 hectares) on the north shore of the Gulf of St. Lawrence. A part of this property (27 per cent of the total area) includes the Baie Johan Beetz uranium exploration area, the site of two major staking rushes in 1967 and 1975, involving dozens of junior companies and, in its later stages, major players such as Denison, Imperial Oil and Uranerz. Numerous showings were identified in the course of this work, mostly low grade, on the order of 0.3 to 0.5 lbs Uranium Oxide (U₃O₈) per ton. However, initial Uracon assessment reports indicate several showings in the same areas containing grades on the order of pounds per ton. All of these showings occur in granites, alaskites and pegmatites within the Lac Turgeon granite intrusive (a complex mass, approximately 15 kilometres in diameter), and are geologically similar to such deposits as Rossing, in Namibia, or the Madawaska mine, in Ontario.

In the 1980s and 1990s regional geochemical surveys by the Quebec government showed that the Lac Turgeon intrusive, unlike any of the others in the region, is anomalous in uranium. Large fault systems cut the intrusive, but little attention was

paid to these in previous exploration efforts, even though uranium mineralization is frequently associated with such features. Their very presence, for example, suggests the possible existence of major plumbing systems operational during the mineralization phase. The Lac Turgeon body thus retains the potential to host substantial uranium resources.

Regional geochemical surveys also reveal a series of substantial uranium in lake bottom sediment anomalies along a corridor extending several hundred kilometres in a northeast direction from Lac Turgeon. The balance of the properties acquired lie within this corridor, and cover, in effect, the major anomalies in the first 125-kilometre segment. Little work of any kind has been reported from these areas, which exhibit uranium geochemical values similar to those seen in the Lac Turgeon intrusive itself.

The recently filed NI 43-101 Technical Report dated May 31, 2006 states that the north shore property is characterized by a highly favourable geological setting for large tonnage and low grade uranium mineralization, as well as a good potential for added copper-gold mineralization. It has the potential of becoming a major uranium resource. Historical work, particularly by Denison, has shown open pit tonnage potential. Higher grades may be more common than previously believed given the large interested areas beneath overburden and lakes with key lake bottom sediments uranium anomalies. Phase one of the recommended work program is now underway.

Saskatchewan

On September 25, 2006 Uracon announced that it staked claims in the Pipewrench Lake and Narrows Lake area approximately 130 kilometers northwest of La Ronge, Saskatchewan. These two claims total approximately 2,056 Hectares, with Uracon holding a 100% interest. The claims cover an area that received several phases of exploration in the late 1960's and 1970's, including ground and airborne geophysics, prospecting, surface sampling, trenching, mapping and diamond drilling. The properties have not seen any exploration activity since the late 1970's.

Between the late 1960's and late 1970's a total of approximately 2,511 meters of diamond drilling was completed on these properties, with 1,027 meters on the Pipewrench Lake Claim and 1,484 meters on the Narrows Lake Claim. Historic Assessment reports show significant mineralization was encountered. Selected intercepts on the Narrows Lake Claim include:

18.29 meters of 0.73 kg U₃O₈ (60 feet of 1.6 lbs U₃O₈),
13.66 meters of 0.6 kg U₃O₈ (44.8 feet of 1.3 lbs U₃O₈),
11.31 meters of 0.60 kg U₃O₈ (37.1 feet of 1.3 lbs U₃O₈),
4.92 meters of 0.48 kg U₃O₈ (16.1 feet of 1.1 lbs U₃O₈),
3.69 meters of 0.51 kg U₃O₈ (12.1 feet of 1.1 lbs U₃O₈).

This drilling is historic in nature and the accuracy of the results cannot be verified.

Selected diamond drill hole intercepts from the Pipewrench Lake Claim include:

6.6 meters of 1.0kg U₃O₈, (21.8 feet of 2.3 lbs U₃O₈),
7.52 meters of 0.77 kg U₃O₈ (24.7 feet of 1.7 lbs U₃O₈),
3.9 meters of 1.41 kg U₃O₈ (12.9 feet of 3.1 lbs U₃O₈),
3.2 meters of 0.59kg U₃O₈ (10.6 feet of 1.35 lbs U₃O₈),
5.9 meters of 0.85 kg U₃O₈ (19.5 feet of 1.87 lbs U₃O₈).

This drilling is historic in nature and the accuracy of the results cannot be verified.

Surface exploration by previous operators indicates that uranium mineralization anomalies occur in several areas covered by the claims, as indicated by ground scintillometer surveys and trenching results. Many of these anomalies have not been the subject of significant follow up exploration, and offer excellent targets for additional uranium mineralization. Large areas of the property have received little if any exploration. The majority of the showings occur in pegmatites hosted by granitic gneisses. The host rocks for the Pipewrench Lake property are the same as the basement rocks that underlie the eastern portion of the Athabasca Basin.

Management

- Gregg Sedun – founding director of Diamond Fields Resources (bought by Inco in the 1990s for \$4.3 B) and Adastra Mining (bought by First Quantum earlier this year)
- Gord Keep – Managing Director Corporate Finance Endeavour Financial
- Tom Garagan – VP Exploration Bema Gold
- Marc Simpson – Consultant to the company (works with Bema Gold)

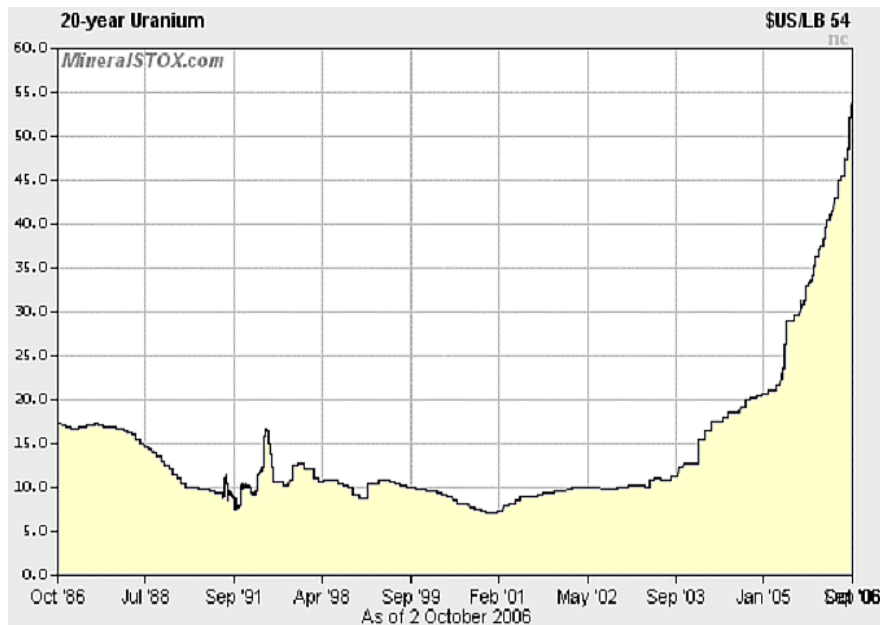
Share Structure

Basic 41.1 million
Fully diluted 45.0 million

Cash On Hand \$4,500,000

Uranium Fundamentals

- Nuclear power will be a critical component of base load electricity generation in developed and developing countries for decades to come due to issues of diversification, security of supply, economics, and environmental impact.
- Secondary sources of uranium are limited and primary uranium supply must increase to close the large and widening gap between mine production and reactor requirements.
- Growing demand for fuel for the world's expanding nuclear power capability will drive uranium prices higher.
- Australia, the world's leader in terms of undeveloped uranium resources, has political policies that are likely to preclude the development of new uranium mines this decade.
- Conventional mining continues to supply most of the world's primary uranium but near surface low grade properties will become an increasingly important component for cost effective uranium extraction as U_3O_8 prices remain firm.



It's not too often you see a chart like this. After almost a decade of relatively flat price movements, the U_3O_8 price has done nothing but go up since the summer of 2003, having climbed more than 490%.

That, however, isn't nearly as fast a rise as other critical minerals like molybdenum and titanium have made. Those two minerals have actually outpaced the stellar rise of uranium. Uranium prices have been climbing steadily over the past few years and show no sign of slowing down. And there are two reasons why.

First off, uranium is a very unique commodity in that its price is very "inelastic." That's economic parlance for when demand is poorly correlated to price. The classic example of a product with inelastic demand is cigarettes. As a pack of cigarettes rises in price, the total number of packs consumed changes very little.

Uranium is very similar because of the amount of electricity a single pound of uranium can produce. In fact, uranium only accounts for a very small portion of the total costs of electricity generation from nuclear power. For instance, at \$54 per pound, uranium only adds \$2.70 per megawatt-hour (MWh) of electricity. And with a MWh of electricity currently selling for about \$37, uranium only accounts for 7% of electricity generation costs.

That's why uranium could hit \$100 per pound and nuclear power companies wouldn't be overly concerned. They could easily pass the extra \$2.50 per MWh in costs onto consumers and only increase their rates by an additional 6.8%.

The second reason uranium is different is because there's a secondary artificial layer of demand. Right now, there are three hedge funds devoted exclusively to buying up uranium. And the newest one, the Solios Uranium Fund, just started buying up uranium on the open market about a month ago.

Technical comments

The Uranium share price traded between \$0.20 and \$0.55 for a 2-1/2 year period while investors and speculators waited and wondered what Endeavour Financial would come up with for a project. With the answer provided on March 31 following the announcement of the Letter of Intent, price broke out, with a gap-opening at \$0.51 and running to a high of \$0.78 seven trading days later on record volume. Since then, along with the general commodities market correction, price eased and eventually filled the price gap – bouncing off major support just under the \$0.40 area. Initial price resistance should occur around the \$0.50 and then \$0.60 areas, with more significant resistance found over the \$0.68 area.

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