

Growth Stocks Weekly

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Junior Gold and Natural Resource Sector Report

June 13, 2007

The Next Big Thing in Uranium? ... Jurisdiction

The International Atomic Energy Agency just released its Uranium 2007: Resources, Production and Demand report.

The industry calls it the "Red Book", and the one statement that stood out for me was that known uranium resources would be sufficient to last for 100 years at 2006 usage rates.

While there may be no shortage of the stuff, the world is still only producing 60% of its annual needs; the rest comes from the dismantling of nuclear weapons. The report added that nuclear capacity is expected to increase between 38% and 78% from 2007 and 2030 and will require both improved production and new discoveries if this growth is to be realized.

Literally - where on earth will this come from? The long term uranium price of \$90/lb is high enough that even some of the lowest grade deposits in the world may be economic – like the Rossing Mine in Namibia producing 7% of the world's uranium at one quarter pound per ton, a 0.012% grade. If even that grade can spawn a cash cow, then almost any uranium occurrence on the planet, if it's big enough, could be profitable.

In fact, those big low grade open pit uranium mines will probably be the biggest winners, as the uranium industry and its investors have seen high grade underground mines have high profile production problems. And In Situ Leach (ISL) mines are having a problem finding sulphur – at any price (sulphur is up over 1000% in price over the last 3 years) to mix in their solutions to help extract the uranium.

So I see the next big issue in uranium being jurisdiction – specifically, permitting. Uranium is radioactive. It can cause health problems that other metals don't have to worry about, making it more difficult to obtain political and social (local) approval for a mine.

A Canadian brokerage firm last week went very bullish on uranium prices, and urged investors to focus on near term producers in the United States. The US has a regulatory framework, good infrastructure etc., it argued, and cited Colorado, Utah, Wyoming and Texas.

My advice - check out the websites of the local media in the areas surrounding proposed projects in those states. In Colorado especially, the local opposition is loud and fierce.

North American investors see all of Asia and Africa as having huge political risk because they don't understand the cultural differences. Some places deserve it; others don't. Kazakhstan has had stable, unimpeded-by-government uranium production in Asia, as has Namibia in Africa.

Every year a Canadian research group, The Fraser Institute, publishes a list of the best mining jurisdictions, as surveyed by 370 mining executives. They would know. Most top spots went to Western countries/states/provinces.

In 2008, Quebec topped the annual world-wide survey, jumping up from the number seven spot last year. Nevada, a perennial favourite of the mining industry, moved up to number two from last year's number three spot. The biggest surprise was Finland, which rocketed from number 29 last year to the number three spot.

Other jurisdictions rounding out the top 10 are Alberta, Manitoba, Chile, Utah, Wyoming, Ireland and Sweden.

Let's look at some of the areas where there is real potential for uranium production. Australia has a ban on new uranium mines, and 3 mining states like South Australia, Queensland and Tasmania fell out of the Top 10.

In Canada, British Columbia has banned uranium exploration. It moved up from 30 to 19 in this year's ranking.

Ontario, which has the Elliot Lake uranium camp, also showed signs of recovery, moving up slightly to 18th from 20th. Newfoundland was the lowest ranked province at 22nd, the same ranking as it had last year. (The Inuit people in Labrador recently banned uranium mining for 3 years. There are no mines there, but at least one big uranium resource has been developed, and many juniors are spending millions of dollars exploring there.)

Nunavut dropped to 54th from 39th. Areva, the French mining giant and #2 uranium producer in the world, has their 90 million pound Kiggavik deposit in Nunavut, and are now wanting to put into production. There are two highly prospective uranium basins in Nunavut – Hornby Bay and Thelon.

The world has lots of uranium. We even have quite a bit ready to go into production. But demand is increasing, and technical problems at uranium mines – particularly the high-grade underground ones - are keeping production increases low. Getting uranium to market is going to be the big issue now, so investors need to pay a lot more attention to where the uranium is.

My bet is that assets in mining friendly uranium jurisdictions will greatly improve in value after the institutional money flow is done buying near term producers.

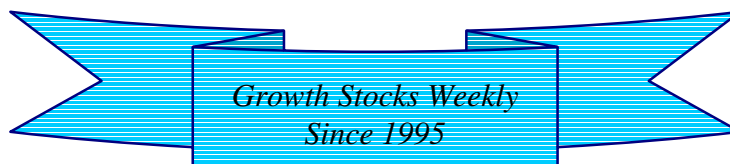
Fred McMahon is coordinator of The Fraser Institute's survey and their Director of Trade and Globalization Studies. He states "Quebec has always been viewed in a good light by the mining industry, primarily due to its favourable geology ... but Quebec's government also provides a favourable policy environment to go along with strong mineral potential."

Mining companies feel Quebec's stable policies provide them with the certainty that reduces risk for long-term projects. Year after year, the survey bears out that above all, mineral exploration companies value stability and certainty when it comes to government policy.

For other Reinhard publications go to his [Research Reports](#) and specifically for Uranium in Quebec go [here](#).

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