Uranium Sector

February 25, 2014

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Japanese Reactor Restarts Looming As Draft Energy Plan is Announced

An officially pro-nuclear Japan. The release of the Final Energy Program today and the continued promotion of Nuclear Power from the Japanese Government is a very positive step in regaining the sentiment that has been lost from the uranium sector over the past couple of years. We believe that reactor restarts in Japan is the fundamental requirement for a rebound in uranium prices, not so much as immediate demand from Japan, but it has more to do with psychology of the investor and the other 90% of the world's utilities that have been sitting on their hands and not contracting uranium over the past year. Last year for the first time, contracted uranium (20 MM lbs U3O8) was less than spot volumes (43 MM lbs) according to UxC, as utilities are on the sidelines. Some uranium producers are in the driver's seat, and can wait until their existing contracts run out in 2016 (Cameco, BUY, C$27.50), while others are now forced to sell uranium near spot prices (Paladin Energy, BUY, C$0.95 target). We need a catalyst to spur contracting and investment in the sector and the commodity. It's possible that Japanese restarts will be that catalyst. And while this news is positive, we still await the 17 reactors that have already applied for review by the Japanese Nuclear Regulatory Authority. However, the chatter is getting louder, and the Government is starting to make the predictions of restarts by this summer - a perfect time to turn up the heat on the sector.

Sentiment is rising again. Further support for near-term Japanese restarts, M&A chatter and excitement surrounding new discoveries in the Athabasca Basin are all helping, little by little, to improve sentiment in the uranium sector.

- Uranium Participation's (U-T, BUY, C$7.20 target) P/NAV is improving and at 1.07x, is nearly back at pre-equity raise levels, despite this week's slightly weaker spot price, and even before it makes any purchases of new physical U3O8 or UF6 (see 25-Feb-14 note);
- Ongoing M&A rumors continue to swirl around some of our favoured names such as Denison Mines (DML-T, BUY, C$1.90 target), Ur Energy (URE-T, BUY, C$2.20), Uranerz Energy (URZ-T, Neutral, C$1.80 target) and Fission Uranium (FCU-V, BUY, No Target) - see our Uranium Sector Report (3-Feb-14) or The Energy Report Interview (20-Feb-14);
- New discoveries are exciting - including the recent potential discovery by NexGen Energy (NXE-V, BUY, No Target) at Rook 1 (see 19-Feb-14 note; 24-Feb-14 note), and the 9.93% U3O8 over 101m at Fission's PLS project (see 19-Feb-14 note).

Japan's draft medium to long-term basic energy program was released overnight: Nuclear is to remain "an important base load electricity source." This is somewhat watered down from "fundamental and important base load electricity source" wording in an earlier draft, but we believe this was just to appease opposition. The plan is set to be approved at the end of March. This is the first time since Fukushima that the government has pushed forward a new energy program. There is no clear sign of the exact energy mix, but nuclear was providing close to 30% of the country's needs before Fukushima. We are also seeing continued promotion of renewables and eventually reducing dependence on nuclear - nothing new.

But pro-nuclear momentum in the Japanese Government is increasing:

- Talk of 10 reactor restarts by the summer to meet demand;
- LDP backed and pro-nuclear reintegration candidate Yoichi Masuzoe wins Tokyo governor election. We don't believe the Tokyo Governor can have actual say in national energy policy, but he certainly will have sway of public sentiment;
- Last week the NRA talked about fast tracking some reactors, particularly six PWR owned by Kansai Electric Power;
- Sunday in Western Yamaguchi prefecture another Abe Liberal democrat beat two anti-nuclear opponents for Governor;
- Overnight a Director-General for Oil, Gas and Mineral Resources at Japan's Ministry of Economy, Trade and Industry mentioned at an LNG conference that a couple of nuclear plants could restarts by this summer;
- A total of 17 reactors have applied for restart with approvals for many well over the expected six month timeline.

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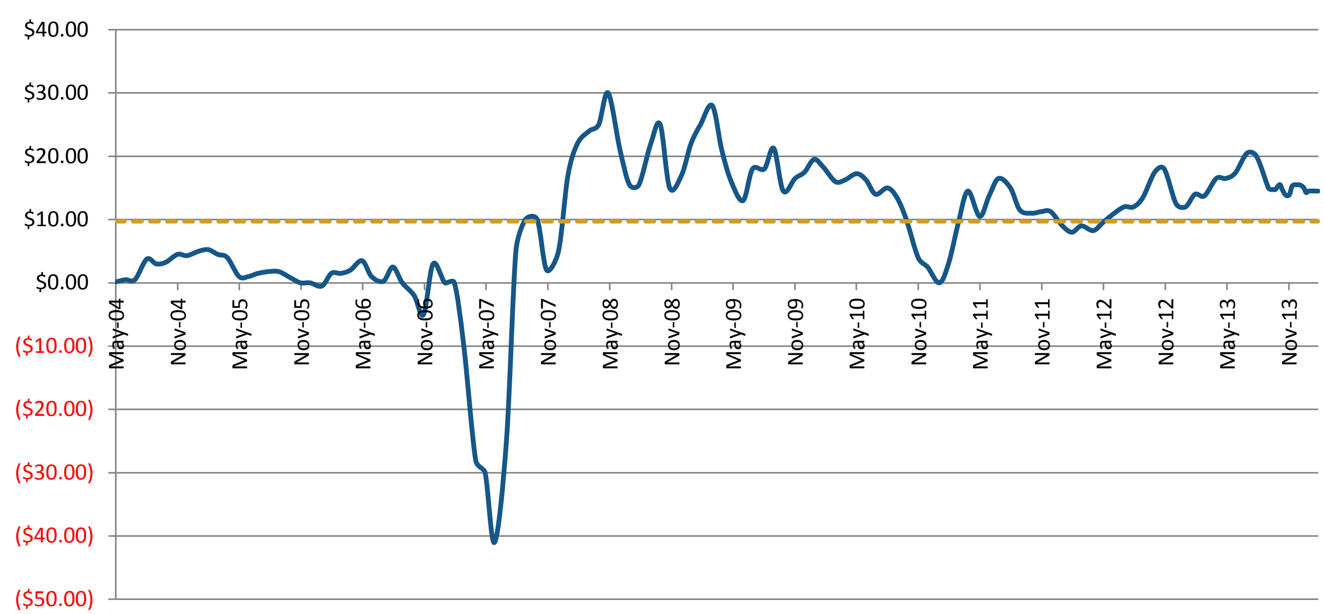
Spot & Term market update - buyers and sellers yet to meet halfway. The reality for investors remains uranium prices. Certainly we believe that part of this is psychological and getting back online in Japan will likely help improve matters. UxC is suggesting that the spread between spot and term remains a sticking point for both buyers and sellers. Buyers don't want to engage in term contracts that are ~$15/lb above spot, and sellers don't want to enter into spot price contracts (for obvious reasons). And while the spread is above the historical mean of ~$10/lb, it's still well below highs of $30/lb seen in 2008 when spot was US$60/lb U3O8 and term was US$90/lb (Figure 1). Market volumes are displaying this resistance to contract, as 2014 activity looks about as anemic as 2013 with only 5.6 MM lbs transacted in the spot market, and five deals (unknown volume) in the term market. The demand situation is unsettled for some market players with ongoing Japan restart uncertainty (should be clarified after today's news) and questions of mid-term liquidity with investment banks leaving. Production cutbacks are expected to impact the market, but USD strength and devaluation of the Kazakh Tenge could give some producers more flexibility. The market remains well supplied, and there is even questions if shuttered nuclear plants (in the US and Japan) will start selling stockpiles. But the longer term contracting is pushed out the steeper uncovered requirements become.

Our Top Picks include:

- **Uranium Participation (U-T, Buy, High Risk, C$7.20 Target) -** Vehicle for pure uranium exposure eliminating technical, political, permitting and financing risks; trades on positive sentiment; large cap and liquid; trading at 7% premium to its NAV suggesting to us investors are pricing in a somewhat higher uranium price than spot.
- **Cameco Corp. (CCO-T, Buy, High Risk, C$27.50 Target) -** Defensive play and exposure to producer uranium class; blue-chip, liquid and large cap; industry leader with world class assets; vertically integrated; Cigar Lake delayed but should enter production early 2014.
- **Energy Fuels (EFR-T, Buy, High Risk, C$17.00 Target) -** Leverage to rising uranium prices; high priced contracts and effectively 100% hedged; effective and acquisitive management team; massive expansion potential; cost profile coming down; can turn on production quickly as uranium prices rise; deep project pipeline.
- **Ur-Energy (URE-T, Buy, High Risk, C$2.20 Target) -** Early stages of commissioning at Lost Creek progressing well; low cost production; innovative mine design; uranium sold forward at premium to spot; exciting development pipeline; deep technical team; one of the market darlings of 2013.
- **Denison Mines (DML-T, Buy, High Risk, C$1.90 Target) -** Advanced explorer in the Athabasca Basin; 175 MM lbs in global resources; prime takeover candidate; near-term cash flow generation from Cigar Lake toll milling and production; 60% ownership of Phoenix, the world's third highest grade deposit; very strong and entrepreneurial management team.
- **Fission Uranium (FCU-T, Buy, Spec. Risk, No Target) -** 100% ownership of exciting PLS discovery in the Athabasca Basin; discovered at least six high grade, shallow uranium zones (drill limited); potentially 48 MM lbs+ already discovered (our estimate); 100 MM lb+ potential; entrepreneurial management has consolidated ownership of entire project.

Figure 1: Spot and term historical spread (US$/lb).



Source: UxC, Dundee Capital Markets

Table 1: Uranium peer comparison table separated by stage of development.

Producers:	Last Price C$	Shares O/S MM	Mkt. Cap C$ MM	Cash C$ MM	Debt C$ MM	EV C$ MM	Reserves MM lbs	Resources MM lbs	Total Compliant MM lbs	Historical MM lbs	EV/lb US$/lb	Rating	Risk	Target C$	Performance 1 mo	3mo	6mo	1yr	NAV	P/NAV
Cameco Corp	23.49	396	9,293.30	229.14	1,384.84	**10,449.01**	465	531	996	0	**10.49**	Buy	High	27.50	-3%	8%	14%	6%	**19.94**	**1.18x**
Paladin Energy	0.44	964	419.43	97.41	483.74	**805.75**	151	365	516	22	**1.50**	Buy	High	0.95	-18%	14%	-22%	-64%	**0.98**	**0.45x**
Uranium Energy Corp.	US 1.64	90	162.84	16.27	11.07	**157.63**	0	70	70	20	**1.77**	Buy	High	2.40	-10%	-15%	-32%	-31%	**2.13**	**0.77x**
Energy Fuels	10.22	20	200.54	14.17	22.80	**209.17**	0	138	138	61	**1.05**	Buy	High	17.00	22%	68%	-11%	32%	**14.28**	**0.72x**
Ur Energy Inc	1.65	122	202.07	6.00	39.00	**235.07**	0	29	29	20	**4.83**	Buy	High	2.20	6%	31%	40%	117%	**1.85**	**0.89x**
Uranerz Energy	1.73	86	148.46	17.71	22.14	**152.89**	0	18	18	4	**6.84**	Neutral	High	1.80	-1%	54%	27%	30%	**1.35**	**1.28x**
AVERAGE						**2,001.59**					**4.41**				**-1%**	**27%**	**3%**	**15%**		**0.88x**

Developers:	Last Price C$	Shares O/S MM	Mkt. Cap C$ MM	Cash C$ MM	Debt C$ MM	EV C$ MM	Reserves MM lbs	Resources MM lbs	Total Compliant MM lbs	Historical MM lbs	EV/lb US$/lb	Rating	Risk	Target C$	Performance 1 mo	3mo	6mo	1yr	NAV	P/NAV
Denison Mines	1.53	473	706.66	27.80	0.15	**679.01**	0	174	174	6	**3.76**	Buy	High	1.90	7%	24%	21%	21%	**1.84**	**0.83x**
UEX Corp	0.52	228	118.48	8.70	0.00	**109.78**	0	86	86	0	**1.27**	Buy	Speculative	0.80	4%	65%	-2%	-13%	**0.80**	**0.65x**
Toro Energy	A 0.07	1,518	A 104.74	9.98	11.98	**106.74**	0	74	74	0	**1.44**	Buy	High	0.14	-12%	-17%	-18%	-37%	**0.12**	**0.56x**
D Yellow	A 0.02	1,614	A 31.20	3.98	0.00	**27.22**	0	122	122	0	**0.22**		*Not Rated*		-13%	5%	-29%	-66%		
Berkeley Resources	A 0.30	180	A 51.93	25.15	0.00	**26.78**	0	61	61	0	**0.44**	Buy	High	0.60	-2%	20%	3%	-43%	**0.63**	**0.48x**
Forsys Metals	0.51	110	56.04	4.04	0.00	**52.00**	0	125	125	0	**0.42**		*Not Rated*		-5%	27%	-5%	-24%		
Laramide Resources	0.60	78	46.99	5.95	4.80	**45.84**	0	62	62	3	**0.71**	Neutral	Speculative	0.90	-13%	62%	5%	-30%	**0.91**	**0.66x**
Uranium Resources	US 2.71	24	US 60.30	2.22	1.05	**59.13**	7	0	7	101	**0.55**		*Not Rated*		-23%	-16%	-18%	6%		
Strateco Resources	0.05	185	8.30	0.32	12.96	**20.95**	0	27	27	10	**0.56**		*Not Rated*		-18%	-10%	-25%	-75%		
Mega Uranium	0.17	269	45.72	15.04	0.00	**30.68**	0	43	43	0	**0.71**		*Not Rated*		36%	100%	79%	48%		
Bannerman Resources	0.07	323	24.29	3.10	7.59	**28.78**	119	94	213	0	**0.14**		*Not Rated*		0%	67%	25%	-25%		
Anatolia Energy	A 0.07	226	A 11.83	1.87	0.00	**9.96**	0	17	17	0	**0.57**		*Not Rated*		-6%	3%	-24%	6%		
Macusani Yellowcake	0.12	159	18.34	2.90	0.00	**15.44**	0	61	61	0	**0.25**		*Not Rated*		-8%	10%	83%	-4%		
Virginia Energy	0.10	45	4.28	6.43	4.43	**2.29**	0	119	119	0	**0.02**		*Not Rated*		-41%	-17%	-65%	-		
European Uranium	0.13	65	8.62	1.39	0.00	**7.23**	0	41	41	4	**0.16**		*Not Rated*		-8%	20%	-23%	-64%		
Powertech Uranium	0.07	153	10.40	2.00	0.51	**8.91**	0	16	16	1	**0.51**	Neutral	Speculative	0.20	-28%	-32%	-28%	-48%	**0.22**	**0.30x**
Peninsula Energy	A 0.02	3,252	A 74.80	11.68	10.52	**73.63**	0	104	104	0	**0.71**		*Not Rated*		5%	10%	-12%	-32%		
AVERAGE						**76.73**					**0.73**				**-7%**	**19%**	**-2%**	**-24%**		**0.58x**

Explorers:	Last Price C$	Shares O/S MM	Mkt. Cap C$ MM	Cash C$ MM	Debt C$ MM	EV C$ MM	Reserves MM lbs	Resources MM lbs	Total Compliant MM lbs	Historical MM lbs	EV/lb US$/lb	Rating	Risk	Target C$	Performance 1 mo	3mo	6mo	1yr	NAV	P/NAV
Fission Uranium	1.31	316	414.60	25.25	0.00	**389.35**	0	0	0	0	**-**	Buy	Speculative	n/a	10%	25%	8%	-	**n/a**	**n/a**
Fission 3.0	0.15	153	22.94	3.00	0.00	**19.94**	0	0	0	0	**-**		*Not Rated*		-9%	-	-	-		
Alpha Exploration	0.59	26	15.43	3.00	0.00	**12.43**	0	0	0	0	**-**		*Not Rated*		-12%	-	-	-		
Mawson Resources	0.43	65	28.13	6.80	0.00	**21.33**	0	0	0	0	**-**	Buy	Venture	n/a	-22%	-14%	-23%	-64%	**n/a**	**n/a**
Kivalliq Energy	0.22	191	41.07	2.00	0.00	**39.07**	0	43	43	0	**0.90**	Buy	Speculative	n/a	-10%	-2%	-20%	-33%	**n/a**	**n/a**
U3O8 Corp	0.13	173	20.30	0.92	0.00	**19.39**	0	48	48	0	**0.41**	Neutral	Speculative	n/a	-7%	14%	0%	-42%	**n/a**	**n/a**
Vena Resources	0.07	68	4.33	0.07	0.32	**4.58**	0	36	36	0	**0.13**		*Not Rated*		-13%	-41%	-28%	-57%		
Pele Mountain	0.08	165	12.40	0.50	0.00	**11.90**	0	49	49	0	**0.24**		*Not Rated*		0%	67%	36%	15%		
Forum Uranium	0.45	29	11.76	2.50	0.00	**9.26**	0	0	0	0	**-**		*Not Rated*		17%	62%	7%	-1%		
Purepoint Uranium	0.11	122	11.21	0.50	0.00	**10.71**	0	0	0	0	**-**		*Not Rated*		24%	110%	50%	-9%		
Canalaska Uranium	0.23	22	5.08	1.20	0.00	**3.88**	0	0	0	-	**-**		*Not Rated*		-8%	92%	130%	28%		
Bayswater Uranium	0.10	24	2.39	0.15	0.00	**2.24**	0	16	16	0	**0.14**		*Not Rated*		-13%	25%	67%	18%		
Blue Sky Uranium	0.07	29	1.60	0.65	0.00	**0.95**	0	0	0	0	**-**		*Not Rated*		-13%	18%	63%	-13%		
Uracan Resources	0.11	45	3.02	0.04	0.01	**2.99**	0	44	44	0	**0.07**		*Not Rated*		-19%	50%	50%	17%		
Anthem Resources	0.07	35	2.41	5.17	0.00	**-2.76**	0	0	0	0	**-**		*Not Rated*		-54%	-7%	-35%	-54%		
Azincourt Resources	0.24	27	9.66	1.00	0.00	**8.66**	0	0	0	0	**-**		*Not Rated*		-14%	-17%	-23%	85%		
NexGen Energy	0.52	144	75.02	7.80	0.00	**67.22**	0	0	0	0	**-**	Buy	Venture	n/a	117%	96%	13%	26%	**n/a**	**n/a**
AVERAGE						**36.54**					**0.31**				**-2%**	**32%**	**20%**	**-6%**		**n/a**

Source: Company Reports, FactSet, Dundee Capital Markets

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Explanation of Recommendations and Risk Ratings

Dundee target: represents the price target as required under IIROC Rule 3400. Valuation methodologies used in determining the price target(s) for the issuer(s) mentioned in this research report are contained in current and/or prior research. Dundee target N/A: a price target and/or NAV is not available if the analyst deems there are limited financial metrics upon which to base a reasonable valuation.

Recommendations: BUY: Total returns expected to be materially better than the overall market with higher return expectations needed for more risky securities. NEUTRAL: Total returns expected to be in line with the overall market. SELL: Total returns expected to be materially lower than the overall market. TENDER: The analyst recommends tendering shares to a formal tender offer. UNDER REVIEW: The analyst will place the rating and/or target price Under Review when there is a significant material event with further information pending; and/or when the analyst determines it is necessary to await adequate information that could potentially lead to a re-evaluation of the rating, target price or forecast; and/or when coverage of a particular security is transferred from one analyst to another to give the new analyst time to reconfirm the rating, target price or forecast.

Risk Ratings: risk assessment is defined as Medium, High, Speculative or Venture. Medium: securities with reasonable liquidity and volatility similar to the market. High: securities with poor liquidity or high volatility. Speculative: where the company's business and/or financial risk is high and is difficult to value. Venture: an early stage company where the business and/or financial risk is high, and there are limited financial metrics upon which to base a reasonable valuation.

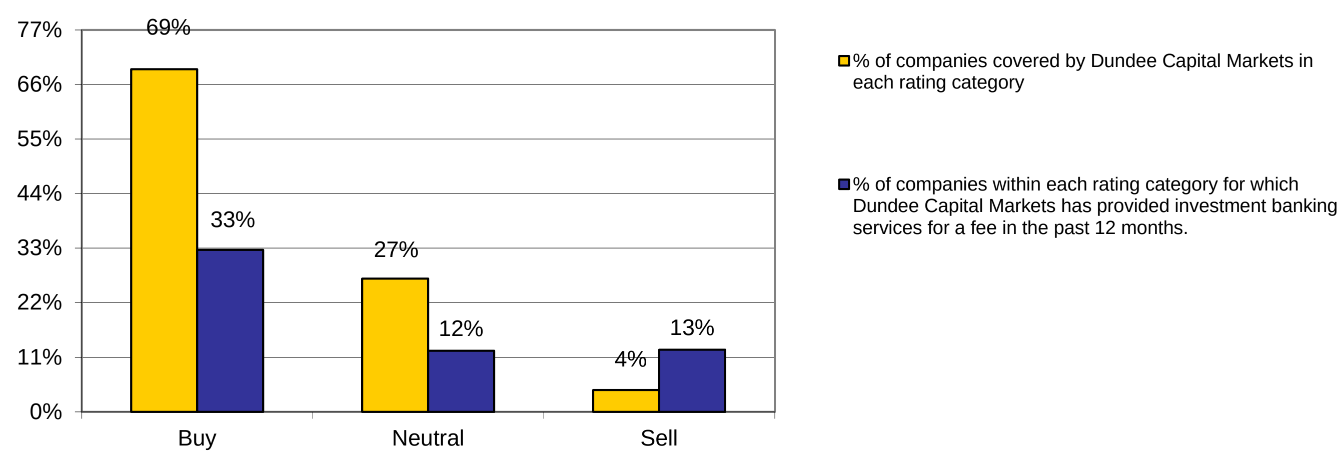
Investors should not deem the risk ratings to be a comprehensive account of all of the risks of a security. Investors are directed to read Dundee Capital Markets Research reports that contain a discussion of risks which is not meant to be a comprehensive account of all the risks. Investors are directed to read issuer filings which contain a discussion of risk factors specific to the company's business.

Medium and High Risk Ratings Methodology: Medium and High risk ratings are derived using a predetermined methodology based on liquidity and volatility. Analysts will have the discretion to raise but not lower the risk rating if it is deemed a higher risk rating is warranted. Risk in relation to forecasted price volatility is only one method of assessing the risk of a security and actual risk ratings could differ.

Securities with poor liquidity or high volatility are considered to be High risk. Liquidity and volatility are measured using the following methodology: a) Price Test: All securities with a price <= $3.00 per share are considered high risk for the purpose of this test. b) Liquidity Test: This is a two-tiered calculation that looks at the market capitalization and trading volumes of a company. Smaller capitalization stocks (<$300MM) are assumed to have less liquidity, and are, therefore, more subject to price volatility. In order to avoid discriminating against smaller cap equities that have higher trading volumes, the risk rating will consider 12 month average trading volumes and if a company has traded >70% of its total shares outstanding it will be considered a liquid stock for the purpose of this test. c) Volatility Test: In this two step process, a stock's volatility and beta are compared against the diversified equity benchmark. Canadian equities are compared against the TSX while U.S. equities are compared against the S&P 500. Generally, if the volatility of a stock is 20% greater than its benchmark and the beta of the stock is higher than its sector beta, then the security will be considered a high risk security. Otherwise, the security will be deemed to be a medium risk security. Periodically, the equity risk ratings will be compared to downside risk metrics such as Value at Risk and Semi-Variance and appropriate adjustments may be made. All models used for assessing risk incorporate some element of subjectivity.

SECURITY ABBREVIATIONS: NVS (non-voting shares); RVS (restricted voting shares); RS (restricted shares); SVS (subordinate voting shares).

Dundee Capital Markets Equity Research Ratings



As at December 31, 2013

Source: Dundee Capital Markets