

INVESTORS CHASING URANIUM MINING STOCKS, AGAIN: A FAVORITE EMERGES



Multiple uranium deposits in Canada's Athabasca Basin, the majority of which are on the eastern part of the basin (located in the northernmost part of the Saskatchewan province).

By James Finch

Fifty years ago, uranium fever hit Wall Street. It was then just a few years after a Navajo shepherd in New Mexico, by the name of Paddy Martinez, discovered "yellow rocks" on his property, mistaking them at first for gold. An avalanche of 1950s dollars (more valuable than the ones we have today) poured into mutual funds and uranium mining stocks, sending their values to astronomical levels. Get ready for déjà vu all over again, as Yogi Berra once said. Trend spotter, James Dines, editor of *The Dines Letter*, believes uranium mining stocks could become just as hot, or hotter, than the Internet stocks of the 1990s. *Editor's note: StockInterview.com interviewed James Dines on July 20, 2004, when he forecast a "buying panic in uranium." Since then, spot uranium (U3 O8) prices have nearly doubled. Over the past 35 years, Dines has successfully predicted mega trends in gold, internet, palladium and uranium price movements. And now investors are chasing uranium mining stocks again.*



James Dines

A look at industry leader, Cameco (NYSE: CCI), which money manager Robert Mitchell called the “Saudi Arabia of uranium,” shows a three-year gain of more than 700 percent. Over the past few years, Australian-traded Paladin Resources, skyrocketed from under a dime to over \$2/share (A\$). A recent *Forbes* magazine cover story, entitled *Going Nuclear*, analyzed uranium’s recent price surge, “One reason the price of uranium should keep escalating is that producers are only starting to ramp up to meet the strong demand. Utilities globally need 180 million pounds of uranium annually, but at this point a mere 108 million pounds are coming out of the ground.”

Why the sudden jump? A Morgan Stanley institutional report, published in December 2004, explained that through the 1990s, uranium oxide prices stayed low because surplus uranium came into the market from weapons decommissioning. That surplus inventory worked its way through the market. The Morgan Stanley analyst forecast a “deep supply-side shortage” of uranium, citing that new mining production hasn’t yet come online to remedy the deficit. In the year-ago forecast, the uranium deficit was expected to grow to nearly 20 million pounds this year (from a surplus of 6 million pounds in 2003), and then leap to a peak deficit of more than 35 million pounds in 2006. Deficits in excess of 30 million pounds were also anticipated for 2007 and 2008. According to the Morgan Stanley analyst, \$50/pound may be possible in the spot price for uranium oxide, known in the trade as “yellowcake.”

Mining Newsletters Favor Strathmore Minerals

What’s that mean for uranium stocks? Higher prices should be anticipated as more investors, mutual funds and hedge funds search out the best returns. While the lion’s share of investment dollars is likely to chase Cameco’s price higher, the robust percentage gains in that stock may have already peaked. Generally, new money searches for well-capitalized junior mining stocks with solid uranium projects in their portfolio. One of those most frequently recommended among mining newsletter writers is Strathmore Minerals Corp, trading on the Toronto Venture Exchange (ticker symbol STM.V). Prominent among Strathmore’s projects are in-situ recovery mining operations proposed for Wyoming and New Mexico, plus an aggressive exploration program in the world’s richest uranium areas, Saskatchewan’s Athabasca Basin (home to uranium mining giant, Cameco).

In September, letter writer Lawrence Roulston of *Resource Opportunities* recommended Canadian-based Strathmore Minerals (TSX-V: STM), writing, “The company is systematically adding value to the projects most likely to be significant in the near term, especially those with near-term production potential.” Also in September, *Resource World* contributing editor, Alf Stewart, wrote, “The two deposits Strathmore is developing were ‘cherry picked’ from the inventory of Kerr McGee, largest private explorer of uranium prior to that industry grinding to a halt in the early 1980s.

As these properties are largely drilled off, Strathmore may be considered more of a uranium development company than an explorer.” This past June, money manager Adrian Day recommended uranium stocks in his research report, writing, “So I am focusing on four main areas in uranium, with one or two buys in each... top exploration companies that have the goods and are likely to bring properties into production. Strathmore Minerals, with technically strong management, lots of properties, and a strong balance sheet, is arguably the best.”

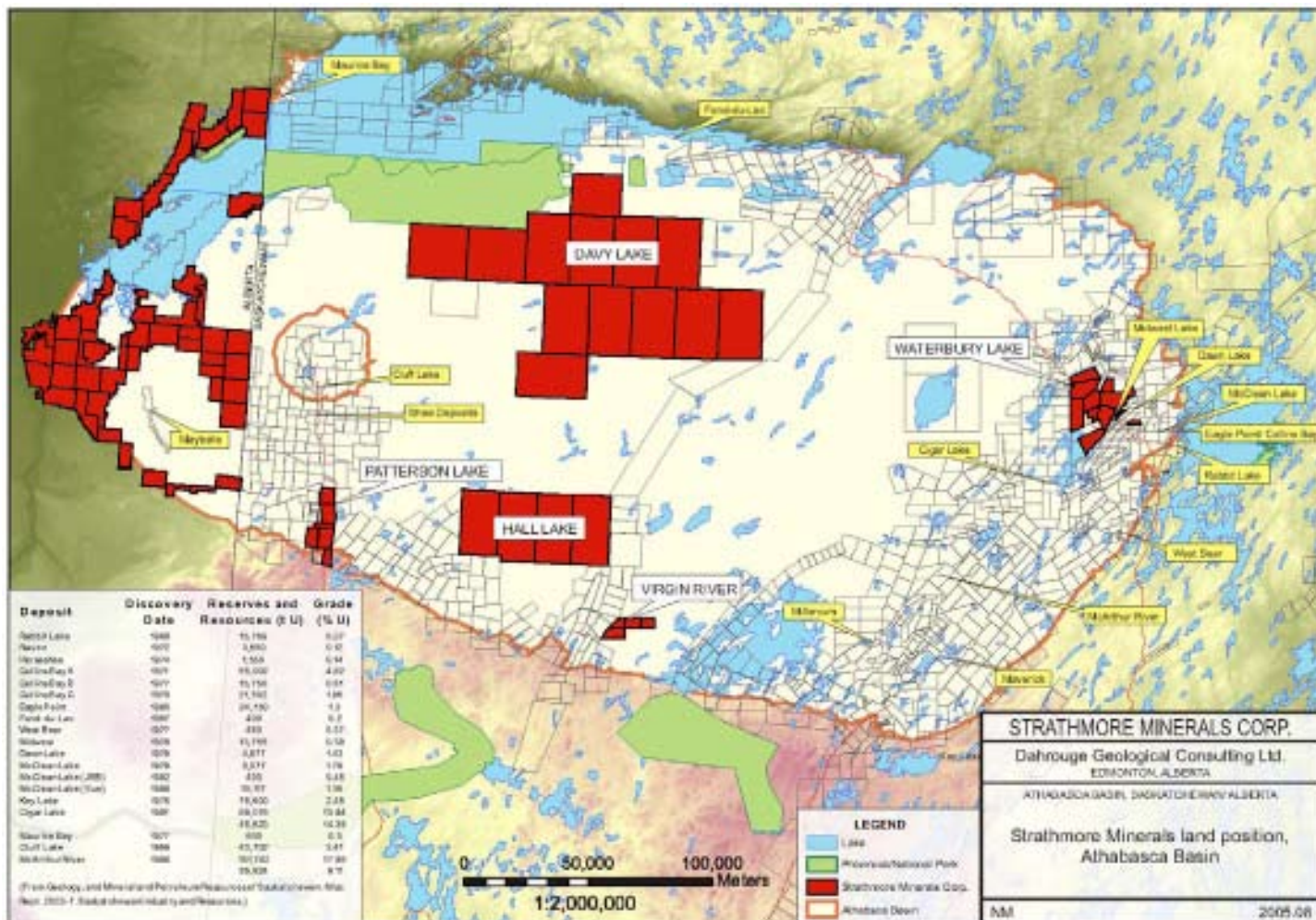
New Uranium Discovery in the Athabasca Basin?

Here’s one of the stronger reasons why investors might anticipate a strong rally in Strathmore’s share price over the coming twelve months: In a November 16th news release, Strathmore Minerals announced a discrete conductor, more than 30 miles long, after completing an airborne geophysical survey on the company’s Davy Lake property, in the north central portion of the Athabasca Basin. According to the company’s news release, “The conductor’s profile response indicates a deep and in places, broad source.”

Virtually all the significant unconformity uranium deposits known in the Athabasca Basin are directly associated with fault structures associated with graphitic conductors. Deposits such as Key Lake, Cigar Lake and McArthur River were found by drilling electromagnetic conductors located within magnetic lows.



Cigar Lake is operated (and majorly owned) by Cameco Corporation, with uranium reserves reportedly in excess of 230 million pounds.



In an interview with Jody Dahrouge, of Edmonton-based Dahrouge Geological Consulting Ltd, he told StockInterview.com, “Early indications are that this conductor is similar with other known uranium deposits, graphitic conductors with magnetic lows.” On a scale of one to ten, Dahrouge rated the Davy Lake conductor a ten. “It is a long conductor, cut by structures, with deep depth and associated by a late fault,” explained Dahrouge. “It is a high quality conductor that continues to depth, and it is typical of those occurring that are associated with known uranium deposits.” Dahrouge described how the MegaTem II airborne geophysical survey was able to pinpoint the conductor as shallow as 600 meters and running deep to 1200 meters. Dahrouge made comparisons to other uranium deposits in the Athabasca Basin. “The Sue Deposit near McLean Lake is associated with an electromagnetic conductor that is approximately 2.6 kilometers long,” he said. “Based on our work at Waterbury Lake, we identified an 8 kilometers long conductor associated with the Midwest Deposit(s). The ‘P2’ conductor at McArthur River is approximately 13 kilometers long. This feature was first

identified in 1984, by a ground Deep EM Survey. The Shea Creek deposits, located south of Cluff Lake, are associated with an approximately 25 kilometers long conductor, known as the Saskatoon Lake Conductor.” Dahrouge added, “These deposits are located at depths similar to what we expect at Davy Lake.”

What is probably most significant is Strathmore’s gamble, by exploring away from the eastern parts of the Athabasca Basin, some 300 kilometers from the eastern Athabasca Basin, where the major discoveries have been made. “It was virtually unexplored,” Dahrouge said with excitement in his voice. “It’s really virgin ground.” While there is ample evidence suggesting multiple uranium deposits in the Athabasca Basin, other junior exploration companies are looking at the shallow parts of the eastern basin, which may not likely yield economic uranium ore. One pundit acidly questioned some of the current exploration activity in the Athabasca region, “Are they really re-flying old ground that’s already been flown a hundred times, or are they just releasing old data to save money?” Dahrouge pointed out that the uranium ap-

appears to be running deeper for many of the newer discoveries, as he believes the Davy Lake property might hold true for Strathmore Minerals in the north central part of the Athabasca Basin.

Important features in many Athabaskan uranium deposits are the cross-cutting fault zones. Dahrouge confirmed the Davy Lake conductor has cross-cutting fault zones with a sinistral (left-sided) fault about halfway along its length. According to Dahrouge, there is also a “conductor extension which crosses the fault from west to east and ‘flows’ out into a small, sub-circular magnetic low.” As with many of the Athabaskan uranium deposits, which tend to be found between overlying sedimentary units and underlying basement rocks, the Davy Lake conductor fits the bill. Strathmore Mineral’s president, David Miller, told StockInterview.com, “the 50-plus kilometer geophysical anomaly appears to indicate a basement conductor.” However, Mr. Miller tempered the exhilaration in the air, “A geophysical anomaly does not make an ore body. These exciting initial results will be followed up with infill geophysical lines, followed by ground geophysics, followed by shallow drilling, looking for alteration. When we have narrowed the target to drill, we will pull in the big rigs and test the conductor at the unconformity.” Dahrouge remains excited about the Davy Lake conductor, and said, “Clearly this represents an excellent exploration target for unconformity type uranium deposits.”

What does all that mean? It could explain why Strathmore Minerals might well be on the road to a world-class uranium discovery as further exploration more clearly defines how valuable those newly discovered conductors might become. Meanwhile, Strathmore’s New Mexico and Wyoming properties (amounting to potentially several million pounds of uranium resource) are in the preparatory phase of the permitting process. As the spot uranium price inches forward to the widely accepted short-term target above \$40/pound, several of Strathmore Mineral’s properties may become instantly more valuable to a utility company who will someday need the company’s uranium oxide to fuel their nuclear reactor.

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