

Growth Stocks Weekly

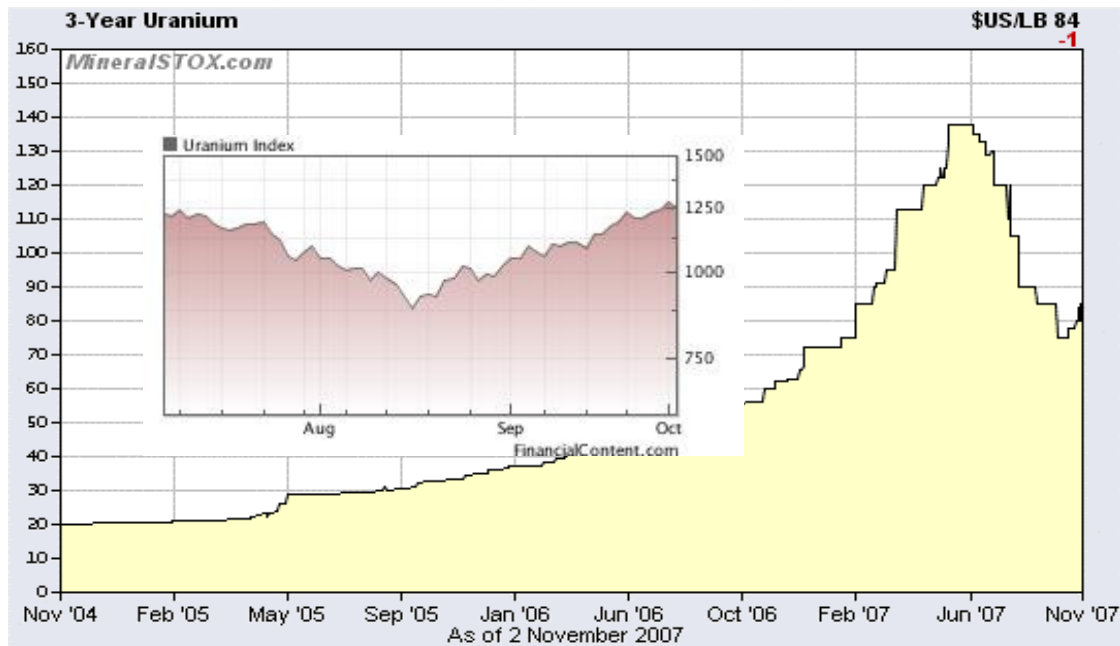
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Performance: Year ended April 1996 116.9%; 1997 28.1%; 1998 36.4%; 1999 39.4%; 2000 180.9%; 2001 -50.5%; 2002 18.7%; 2003 28.8%; 2004 166.7%; 2005 28.2%; 2006 153.3%; 2007 8.8%

Junior Gold and Natural Resource Sector Report

November 3, 2007

Uranium versus Gold– What's it worth?



Uranium and Gold are increasingly in the news these last few years. Can we compare the two as we seek out investment opportunities in this resource super-cycle?

If you're like me, you find uranium economics a bit confusing. I have been investing in gold companies for so long that I when I see a news release stating some grade, I know what that means. I know that a gram of gold at surface over a big width is good – if it's at surface.

N.B. We need to point out that we are not invested in uranium but in uranium stocks, a different animal altogether. Take a look at the smaller inserted chart above, which was carried by Resource World Magazine. This is a chart of the recent progress of uranium stocks entitled 'Resource World Uranium Stock Index'. Uranium stocks are obviously on the move since mid-August, despite the spot price of uranium apparently falling to US\$75/lb.

However, that US\$75/lb is based on the average price accepted by one seller in late September (per tradetech.com). Prior to this sale going through the results of the DOE auction winning bidders include three U.S. utilities and one hedge fund with the average price for all bids received approximately US\$97/lb. Now if we check the futures price for 2008 we have a price of US\$84/lb (larger background chart).

The point is that we have three pieces of data but we naturally focus on the latest figure, which in this case just happens to be the lowest figure for uranium. It appears the market sees through this anomaly and is discounting recent history, and looking to the future – projected to continue in supply deficit for many years to come. In this article assume US\$90 per pound of uranium as an approximation of today's spot price.

A gram of gold at US\$700 per ounce is worth \$22.50. (31 g = 1 troy ounce, roughly). So when I see uranium grades, I translate that in my own mind to what that would be in gold equivalent.

At US\$90 per pound uranium, a gram of gold is worth the same as about 0.012% U₃O₈, or about a quarter pound. (See my chart below.)

So if I see a big uranium intercept of anything greater than 0.012% U₃O₈, especially near surface, that's great news. Example: Crosshair Exploration (CXX-TSX, \$2.50) just issued news of 46 m of 0.1% U₃O₈ in Labrador – that is a high-grade intercept. Valuing gold at US\$700 per ounce, that's the same as 46 m of 8.7 g/t Au – if any company issued a news release with that headline, the stock would likely have a significant move upwards.

Let's look at a smaller grade. Uracon Resources (URC-TSXv – 72 cents) announced a discovery hole of 160 m of 0.022%, or .45 of a pound U₃O₈ from surface in Quebec. At US\$700 gold and US\$90/lb uranium – that equates to 2 grams per ton gold. If a gold company found 160 metres of 2 g/t Au from surface in a first world country, I would suggest the stock has a good chance of moving strongly higher.

Which goes to show that most investors, like me, really don't understand the economic value of uranium grades yet.

So to help investors, I've put together this chart. This is more than back of the napkin math but investors should always do their own research and not rely on someone else's calculations and due diligence. I am not a Ph.D. in math. I have taken into account short tons vs. long tonnes. It is meant to give a rough guideline on converting uranium grades into gold.

The columns under the heading "Gold Versus Uranium at Various Prices" show the equivalent gold grade in grams at various price points of uranium vs. gold. I have highlighted US\$90 per pound uranium because that has been the approximate average price over the last several months. I have focused on very low-grade uranium to show just how economic even it can be.

Uranium (U₃O₈) \$/lb at various U₃O₈ prices

		\$/U ₃ O ₈ Lb	\$/U ₃ O ₈ Lb	\$/U ₃ O ₈ Lb	\$/U ₃ O ₈ Lb	\$/U ₃ O ₈ Lb	\$/U ₃ O ₈ Lb	\$/U ₃ O ₈ Lb
U ₃ O ₈ %	Lbs U ₃ O ₈	\$60.00	\$75.00	\$90.00	\$100.00	\$110.00	\$120.00	\$130.00
0.01	0.2	\$12.00	\$15.00	\$18.00	\$20.00	\$22.00	\$24.00	\$26.00
0.015	0.3	\$18.00	\$22.50	\$27.00	\$30.00	\$33.00	\$36.00	\$39.00
0.02	0.4	\$24.00	\$30.00	\$36.00	\$40.00	\$44.00	\$48.00	\$52.00
0.025	0.5	\$30.00	\$37.50	\$45.00	\$50.00	\$55.00	\$60.00	\$65.00
0.03	0.6	\$36.00	\$45.00	\$54.00	\$60.00	\$66.00	\$72.00	\$78.00
0.04	0.8	\$48.00	\$60.00	\$72.00	\$80.00	\$88.00	\$96.00	\$104.00
0.05	1.0	\$60.00	\$75.00	\$90.00	\$100.00	\$110.00	\$120.00	\$130.00
0.075	1.5	\$90.00	\$112.50	\$135.00	\$150.00	\$165.00	\$180.00	\$195.00
0.1	2.0	\$120.00	\$150.00	\$180.00	\$200.00	\$220.00	\$240.00	\$260.00

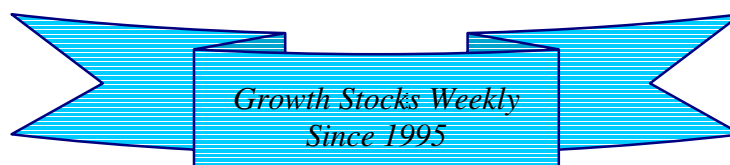
Gold versus Uranium at various prices				9/4/07 U3O8 price				
Au Equivalent U3O8 = 0.01% (0.2 Lbs U3O8)		\$/Lb U3O8	\$/Lb U3O8	\$/Lb U3O8	\$/Lb U3O8	\$/Lb U3O8	\$/Lb U3O8	\$/Lb U3O8
		\$60.00	\$75.00	\$90.00	\$100.00	\$110.00	\$120.00	\$130.00
\$/Oz Au	\$/gram							
\$600.00	\$19.29	0.69	0.86	1.03	1.14	1.26	1.37	1.49
\$625.00	\$20.09	0.66	0.82	0.99	1.10	1.21	1.32	1.43

\$650.00	\$20.90	0.63	0.79	0.95	1.05	1.16	1.27	1.37
\$700.00	\$22.51	0.59	0.73	0.88	0.98	1.08	1.18	1.27
\$800.00	\$25.72	0.51	0.64	0.77	0.86	0.94	1.03	1.11
Au Equivalent U3O8 = 0.015% (0.3 Lbs U3O8)								
		\$/Lb U3O8	\$/Lb U3O8	\$/Lb U3O8	\$/Lb U3O8	\$/Lb U3O8	\$/Lb U3O8	\$/Lb U3O8
		\$60.00	\$75.00	\$90.00	\$100.00	\$110.00	\$120.00	\$130.00
\$/Oz Au	\$/gram							
\$600.00	\$19.29	1.03	1.29	1.54	1.71	1.89	2.06	2.23
\$625.00	\$20.09	0.99	1.23	1.48	1.65	1.81	1.97	2.14
\$650.00	\$20.90	0.95	1.19	1.42	1.58	1.74	1.90	2.06
\$700.00	\$22.51	0.88	1.10	1.32	1.47	1.62	1.76	1.91
\$800.00	\$25.72	0.77	0.96	1.16	1.29	1.41	1.54	1.67
Au Equivalent U3O8 = 0.02% (0.4 Lbs U3O8)								
		\$/Lb U3O8	\$/Lb U3O8	\$/Lb U3O8	\$/Lb U3O8	\$/Lb U3O8	\$/Lb U3O8	\$/Lb U3O8
		\$60.00	\$75.00	\$90.00	\$100.00	\$110.00	\$120.00	\$130.00
\$/Oz Au	\$/gram							
\$600.00	\$19.29	1.37	1.71	2.06	2.29	2.51	2.74	2.97
\$625.00	\$20.09	1.32	1.65	1.97	2.19	2.41	2.63	2.85
\$650.00	\$20.90	1.27	1.58	1.90	2.11	2.32	2.53	2.74
\$700.00	\$22.51	1.18	1.47	1.76	1.96	2.16	2.35	2.55
\$800.00	\$25.72	1.03	1.29	1.54	1.71	1.89	2.06	2.23
Au Equivalent U3O8 = 0.025% (0.5 Lbs U3O8)								
		\$/Lb U3O8	\$/Lb U3O8	\$/Lb U3O8	\$/Lb U3O8	\$/Lb U3O8	\$/Lb U3O8	\$/Lb U3O8
		\$60.00	\$75.00	\$90.00	\$100.00	\$110.00	\$120.00	\$130.00
\$/Oz Au	\$/gram							
\$600.00	\$19.29	1.71	2.14	2.57	2.86	3.14	3.43	3.71
\$625.00	\$20.09	1.65	2.06	2.47	2.74	3.02	3.29	3.57
\$650.00	\$20.90	1.58	1.98	2.37	2.64	2.90	3.16	3.43
\$700.00	\$22.51	1.47	1.84	2.20	2.45	2.69	2.94	3.18
\$800.00	\$25.72	1.29	1.61	1.93	2.14	2.36	2.57	2.79
Au Equivalent U3O8 = 0.03% (0.6 Lbs U3O8)								
		\$/Lb U3O8	\$/Lb U3O8	\$/Lb U3O8	\$/Lb U3O8	\$/Lb U3O8	\$/Lb U3O8	\$/Lb U3O8
		\$60.00	\$75.00	\$90.00	\$100.00	\$110.00	\$120.00	\$130.00
\$/Oz Au	\$/gram							
\$600.00	\$19.29	2.06	2.57	3.09	3.43	3.77	4.11	4.46
\$625.00	\$20.09	1.97	2.47	2.96	3.29	3.62	3.95	4.28
\$650.00	\$20.90	1.90	2.37	2.85	3.16	3.48	3.80	4.11
\$700.00	\$22.51	1.76	2.20	2.64	2.94	3.23	3.53	3.82
\$800.00	\$25.72	1.54	1.93	2.31	2.57	2.83	3.09	3.34
Au Equivalent U3O8 =								

0.04% (0.8 Lbs U3O8)								
		\$/Lb U3O8	\$/Lb U3O8	\$/Lb U3O8	\$/Lb U3O8	\$/Lb U3O8	\$/Lb U3O8	\$/Lb U3O8
		\$60.00	\$75.00	\$90.00	\$100.00	\$110.00	\$120.00	\$130.00
\$/Oz Au	\$/gram							
\$600.00	\$19.29	2.74	3.43	4.11	4.57	5.03	5.49	5.94
\$625.00	\$20.09	2.63	3.29	3.95	4.39	4.83	5.27	5.70
\$650.00	\$20.90	2.53	3.16	3.80	4.22	4.64	5.06	5.49
\$700.00	\$22.51	2.35	2.94	3.53	3.92	4.31	4.70	5.09
\$800.00	\$25.72	2.06	2.57	3.09	3.43	3.77	4.11	4.46
Au Equivalent U3O8 = 0.05% (1.0 Lbs U3O8)								
		\$/Lb U3O8	\$/Lb U3O8	\$/Lb U3O8	\$/Lb U3O8	\$/Lb U3O8	\$/Lb U3O8	\$/Lb U3O8
		\$60.00	\$75.00	\$90.00	\$100.00	\$110.00	\$120.00	\$130.00
\$/Oz Au	\$/gram							
\$600.00	\$19.29	3.43	4.29	5.14	5.71	6.29	6.86	7.43
\$625.00	\$20.09	3.29	4.11	4.94	5.49	6.03	6.58	7.13
\$650.00	\$20.90	3.16	3.96	4.75	5.27	5.80	6.33	6.86
\$700.00	\$22.51	2.94	3.67	4.41	4.90	5.39	5.88	6.37
\$800.00	\$25.72	2.57	3.21	3.86	4.29	4.71	5.14	5.57
Au Equivalent U3O8 = 0.075% (1.5 Lbs U3O8)								
		\$/Lb U3O8	\$/Lb U3O8	\$/Lb U3O8	\$/Lb U3O8	\$/Lb U3O8	\$/Lb U3O8	\$/Lb U3O8
		\$60.00	\$75.00	\$90.00	\$100.00	\$110.00	\$120.00	\$130.00
\$/Oz Au	\$/gram							
\$600.00	\$19.29	5.14	6.43	7.71	8.57	9.43	10.29	11.14
\$625.00	\$20.09	4.94	6.17	7.41	8.23	9.05	9.87	10.70
\$650.00	\$20.90	4.75	5.93	7.12	7.91	8.70	9.49	10.29
\$700.00	\$22.51	4.41	5.51	6.61	7.35	8.08	8.82	9.55
\$800.00	\$25.72	3.86	4.82	5.79	6.43	7.07	7.71	8.36
Au Equivalent U3O8 = 0.1% (2.0 Lbs U3O8)								
		\$/Lb U3O8	\$/Lb U3O8	\$/Lb U3O8	\$/Lb U3O8	\$/Lb U3O8	\$/Lb U3O8	\$/Lb U3O8
		\$60.00	\$75.00	\$90.00	\$100.00	\$110.00	\$120.00	\$130.00
\$/Oz Au	\$/gram							
\$600.00	\$19.29	6.86	8.57	10.29	11.43	12.57	13.71	14.86
\$625.00	\$20.09	6.58	8.23	9.87	10.97	12.07	13.17	14.26
\$650.00	\$20.90	6.33	7.91	9.49	10.55	11.60	12.66	13.71
\$700.00	\$22.51	5.88	7.35	8.82	9.80	10.78	11.75	12.73
\$800.00	\$25.72	5.14	6.43	7.71	8.57	9.43	10.29	11.14

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