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Portfolio News - Uranium

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We review our four uranium exposures

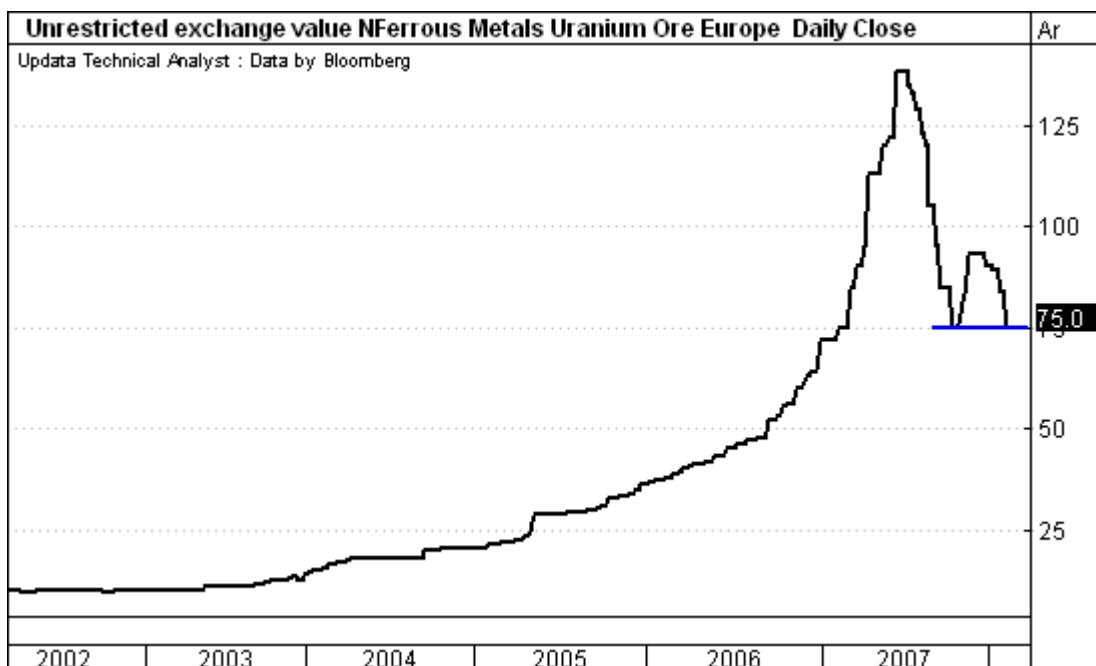
SYMBOL DEFINITIONS	
 SECTOR OVERVIEW	 CRYSTAL BALL
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We thought it opportune to bring Members up to speed with respect to the current outlook for the uranium sector, as well as provide a quick update on the four uranium exposures in our portfolio.

Let's begin with a look at the performance of the uranium price itself. By comparison with most other commodities that have continued their price surge to new records recently, uranium has been a relatively disappointing performer.

From highs of US\$138 a pound last year the price has fallen to around US\$75 a pound at present. All of this must be seen in its proper context however, with uranium still twelve-and-a-half times higher that it was at the beginning of 2003.

So the current price represents a quantum leap for uranium miners compared to just a few years ago and reflects the fact that uranium will undoubtedly account for a much greater share of world energy production over the ensuing decades.



We won't reiterate the greenhouse arguments for nuclear power, nor the strategic benefits to the US of reducing its exposure to oil as an energy source and the influence of the Middle East.

The recent Platts Nuclear Energy Conference held earlier this month in North America revealed some interesting developments with respect to the nuclear industry presently.

Firstly, the construction cost of new nuclear plants is a concern for the industry, with cost estimates ranging from US\$4.5 billion to US\$6.0 billion, which equates to US\$3,000-\$4,000 per kW. This is likely to

lead to joint ventures that share risk and capital when building new plants.

The second important aspect relates to the role of the US government, which is keen to harness additional nuclear opportunities. Apparently the US government has earmarked US\$18.5 billion in loan guarantees for nuclear plants; however delays at the government level are apparently a concern for the industry.

With respect to the current state of play with regards to uranium prices, Ux Consulting, the sector's leading experts, characterise the current spot market as a stalemate. They say buyers and sellers are reluctant to lower or raise their price levels, however sellers appear to be less driven to sell and some are raising their offer prices.

We remain comfortable with the uranium price outlook for 2008 and believe any supply-side problems, as we have witnessed in other commodities, could have a major positive impact on prices.

Let us turn our attention now to our specific stock recommendations. Members will be fully aware that we have been highly discriminating with respect to our uranium sector recommendations over the Mining & Resources report's two-year history.

As we pointed out a long time ago, the uranium sector in Australia was 'a minefield for investors as there are numerous speculative offerings that have little prospect of providing anything substantial for investors over the longer term. This of course does not preclude some of these poor quality offerings, with little in the way of exploration pedigree or asset quality, from hitching onto the current uranium bandwagon.'

Most of the literally dozens of poor quality uranium companies that floated on the ASX a couple of years ago are struggling to stay afloat. By contrast, all four of our uranium companies at least have solid project bases, with current production or the strong prospect of future production. Let's now update Members on their progress.

OUR FOUR URANIUM EXPOSURES

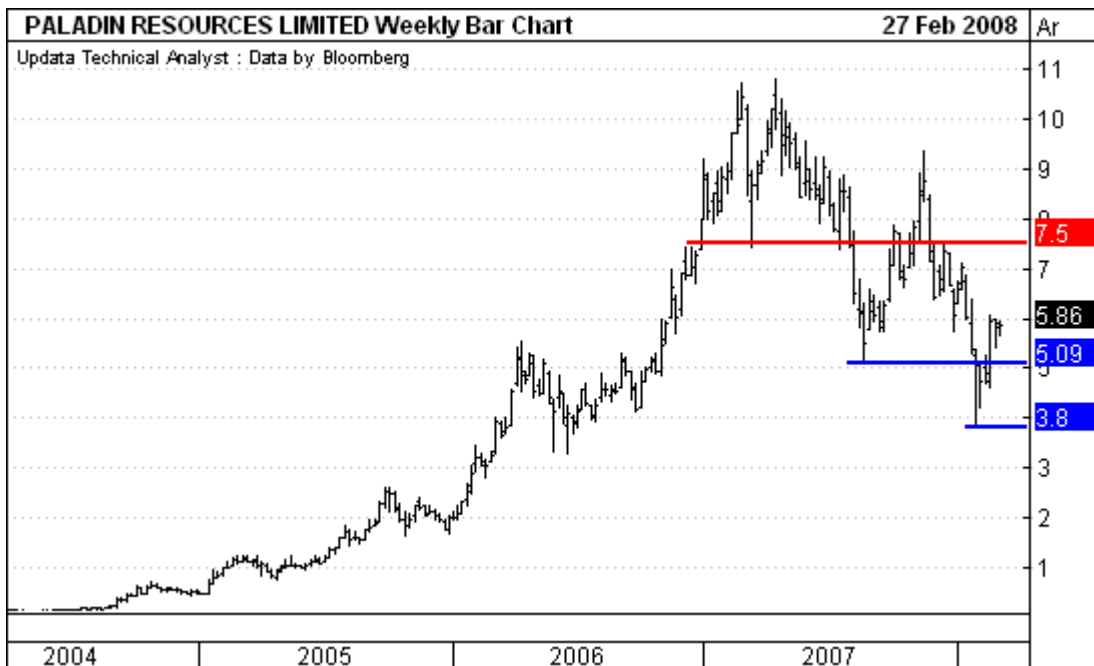
Paladin Energy - Hold PDN

Market Cap \$3.5b

Second project under development

Paladin Energy has just announced the completion of debt financing for its second uranium development, its Kayelekera project in Malawi. This follows on from very strong operational news that indicates that the company's Langer Heinrich operation in Namibia is now firmly on track with regard to production.

Paladin is moving forward with its construction schedule at Kayelekera and still anticipates first commissioning during late 2008 and first production during early 2009. We anticipate cumulative total production from both Paladin's Namibian and Malawi mines of 5.0 million tonnes in 2009 and 6.5 million tonnes in 2010.



Importantly, Paladin's first producing uranium mine, Langer Heinrich in Namibia, achieved the company's stated production target for the December quarter of 2007 and just as significantly is on track to meet its calendar year 2008 production target.

Remember, Langer Heinrich is the first new conventional uranium mine commissioned anywhere in the world for a decade. This should all help Paladin Energy regain some of the share market momentum that it lost during the second half of 2007.

Paladin Energy remains in the box seat, with growing production at a time of solid uranium prices and only modest price hedging. Uranium is not exactly flavour of the month at the moment, however we are not interested in fashion, just the capacity to generate superior returns for our Members, so **we remain entirely comfortable with Paladin Energy.**

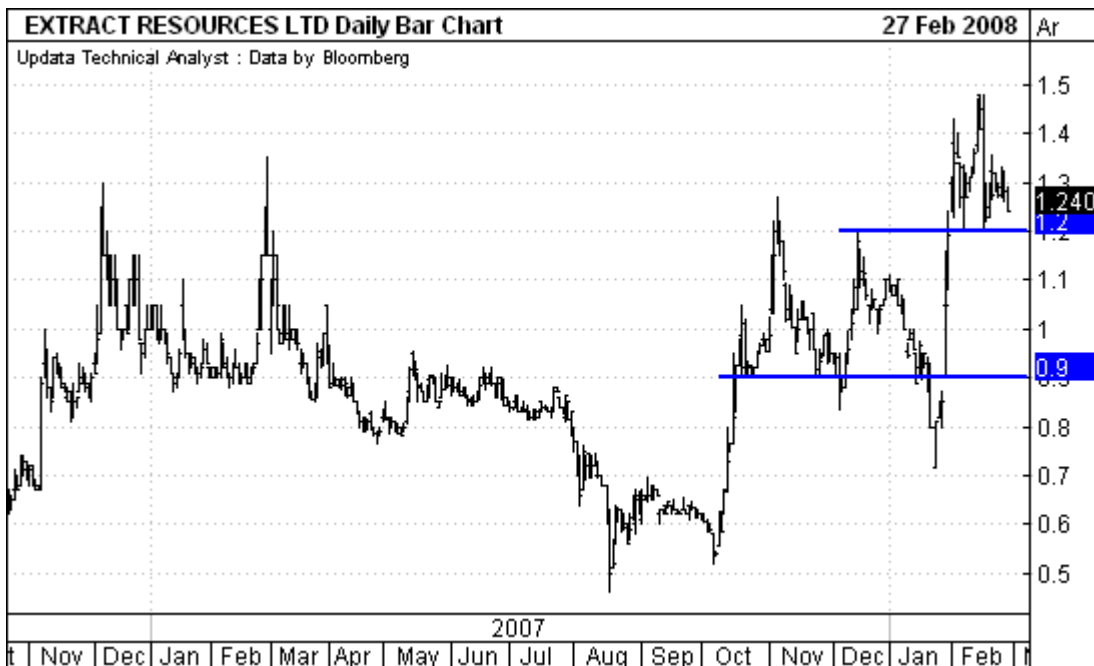
Extract Resources - Hold EXT

Market Cap \$232m

Outstanding exploration results

Extract Resources is well and truly coming up with the goods at its Husab uranium project in Namibia. The recent batch of exploration results over recent weeks are outstanding, adding not only to the overall size of the potential resource, but also providing excitement with respect to grade, which could have be of major significance in terms of operating margins and eventual project economics.

The company has continued its aggressive uranium exploration programme in Namibia and has released recent multiple reports in the early part of 2008 that indicate that things are well on track with respect to its Ida Dome exploration programme, the most advanced prospect within its Husab project.



Extract has highlighted what can only be described as a truly outstanding intercept from infill drilling on the Garnet Valley prospect. Such high grades are very unusual for Rossing-style primary uranium mineralization, but potentially hugely significant. Importantly, Extract is not jumping the gun and is not incorporating the result of the hole into its resource model until it can complete closer-spaced drilling around the hole.

We are also excited for the potential around Rossing South, a prospect where Extract has just released the results of its first drilling programme. First pass drilling on three lines 1.6km apart indicates that uranium mineralisation extends over a zone of at least 3.2km along regional strike.

The initial Rossing South discovery holes lie 1.5km from Extract's northern boundary. The Rossing South target area extends for 15km onto Extract's licence and is covered by desert sands. Three drill rigs are now operating at Rossing South to follow up on these initial discovery results.

With aggressive exploration continuing, we await the announcement of the company's initial uranium resource, which we estimate will be around 30-40 million pounds. **Extract will remain firmly held in our portfolio.**

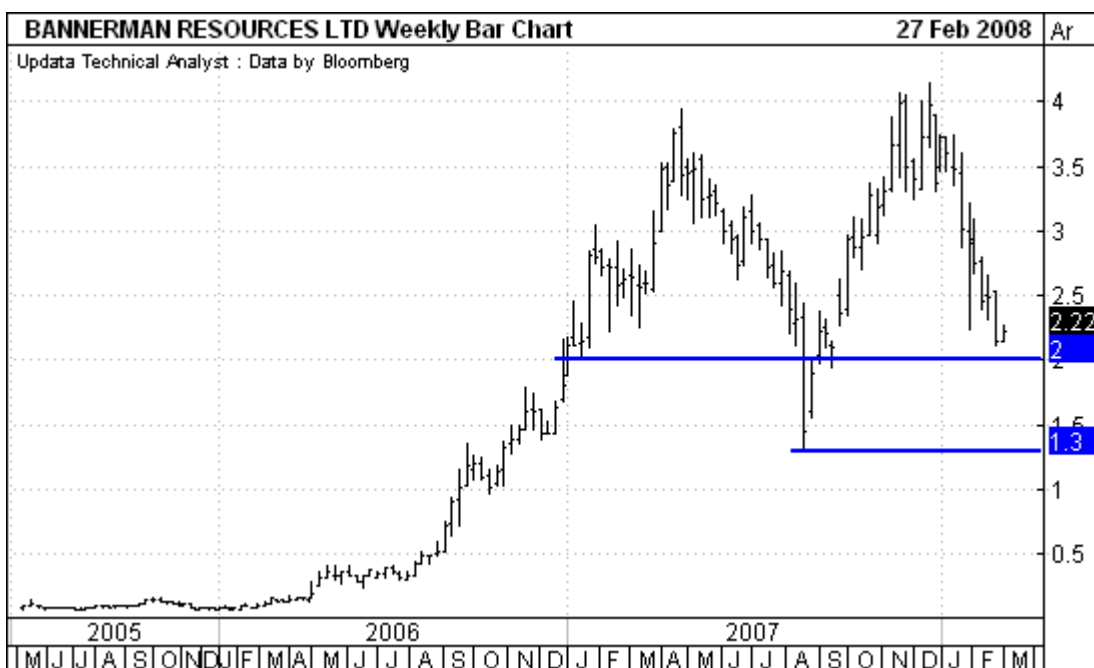
Bannerman Resources - Hold BMN

Market Cap \$291m

Sizeable increase in uranium resource

Bannerman Resources, like Extract Resources, is developing its own Namibian uranium project, called Weltwitschia. Bannerman's current activity is entirely focused on its Goanikontes uranium deposit, which lies immediately south of Rio Tinto's Rossing uranium mine.

Both companies are at similar stages of development, having completed scoping studies recently, but Bannerman boasts a confirmed resource base at this stage, whereas we are awaiting Extract's initial estimate. Bannerman is probably 12 months ahead of Extract with respect to its exploration programme.



Bannerman recently announced a sizeable increase in the resource estimate for its Goanikontes Anomaly A deposit, compiled by independent resource consultants, Coffey Mining. The resource is an update to the interim resource announced in May 2007 and has increased the contained uranium from 26.9 million pounds to 72.2 million pounds.

The resource estimate was based on 223 RC holes and 19 diamond holes drilled by the company up until mid-December 2007 over Anomaly A, covering a strike extent of 2.2km. The bulk of the resource was modelled down to about 300 metres vertical depth, whilst drilling is ongoing with a view to produce a final resource down to around 400 metres.

Drilling is continuing with the aim of producing a final resource estimate some time during the June 2008 quarter. Clearly, the resource size is going to get considerably larger. Of course, the key here is that this resource is based on just one anomaly - Anomaly A - which is just one of a total of at least eight anomalies that lie proximal to the Palmenhorst Dome within Bannerman's Welwitschia project area.

Ongoing drilling work is sure to provide further interest and **we are entirely comfortable with holding Bannerman Resources in our portfolio.**

Marathon Resources - Hold MTN

Market Cap \$112m

Not for the faint-hearted!

Marathon Resources seems like a fairly straightforward story and in most respects it is. Marathon's Mt Gee property hosts one of the biggest undeveloped uranium deposits in Australia, at around 30,000 tonnes. It has the major benefit of being located in South Australia, one of only two states in Australia amenable to uranium mining.

More than ever, we feel comfortable with our stance of ignoring all domestic uranium plays outside of South Australia and the Northern Territory. Rio Tinto's recent decision to put its large Kintyre deposit in Western Australia up for sale speaks volumes in our view. At a time when Rio has committed itself to expanding its uranium business, it has sought to offload one of its major assets.



Also on the positive side, major resource players Talbot Group Holdings and CITIC Australia together hold just under 20% of the company.

Marathon has however suffered enormously at its own hands over the past 12 months as a result of a couple of key blunders that have inevitably delayed the whole appraisal/development process with respect to its Mt Gee deposit.

Firstly, appraisal work conducted last year to reaffirm confidence in the Mt Gee resource base did exactly the opposite, leading instead to a modest downgrade in the resource. Independent analysis determined that around 40% of the resource area needed additional drilling to justify the previous resource estimate.

More recently, Marathon has been in trouble on environmental grounds, having been charged with inappropriately disposing of radioactive materials as part of its ongoing exploration programme. The company is in the process of remediating the affected areas and has had to put all of its drilling work on hold. It has thus demobilised four drilling rigs.

Marathon also announced this week that it is negotiating with an investor to take a 13% placement in the company, which would inject fresh funding. The company had around \$11 million in the bank at the end of December 2007.

Despite the roller-coaster ride for shareholders, the company still boasts one of Australia's largest undeveloped uranium deposits, with further resource upside. **We therefore remain comfortable holding Marathon Resources in our portfolio.**

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