DAVID PESCOD'S STOCKTALK

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AN INTERVIEW WITH JAMES MCKENZIE PRESIDENT AND CEO WITH UCORE URANIUM

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John Gilbert and Charles Park are the authors of "The Geology of Ore Deposits" a geology text that is standard material in some geology departments at Universities around North America. What we find interesting is on page 513, they write: "The Ross-Adams yielded some 10,000 to 20,000 tons of ore in 1957 from a diffuse zone 10 by 55 metres in plan and 5 to 15 metres thick. Grades ranged from 30,000 ppm (3%) U through considerable tonnage at 10,000 ppm (1%) U to a 400-ppm (0.4%) average. Other bodies will probably be found. Although the area is not now in production, similar deposits should be sought in oregenic belts worldwide." What they are talking about in that textbook at a time when no one cared about uranium, was the Bokan project, now owned by *Ucore Uranium*. We found Ucore interesting before, but now with the latest drilling results and uranium starting to recover, this story sounds more interesting than ever.

***David Pescod*: One of the more interesting uranium exploration stories out there has been the story of Ucore Uranium. Jim, if you could give a little history of the Alaska property that you have, I think that for those who are new to this story, the history would be good.**

***James McKenzie*: There's a very storied past to the area. The mine itself dates back to the mid-1950's. A radioactive anomaly was discovered by Don Ross and Kelly Adams, using some very basic equipment: a fixed wing aircraft and a basic radiometer. Between then and now, the area has been brought to term on several occasions as a high grade uranium mine. The first company to mine there was Climax Molybdenum, in the late 1950's. They developed the original open pit, and removed 18,000t of ore grading approximately 1%. They were followed by Baywest and Standard Metals in the 60's, removing some 18,000t of ore overall. The final party to operate there was Newmont, until the early 70's. They removed 55,000t, before pulling out in 1973. Baywest, Standard and Newmont all operated underground, via adits at 700 and 300 feet above sea level. In any event, the mine produced some 1.5 million pounds of high grade Uranium; .76% U(3)O(8) on average.**

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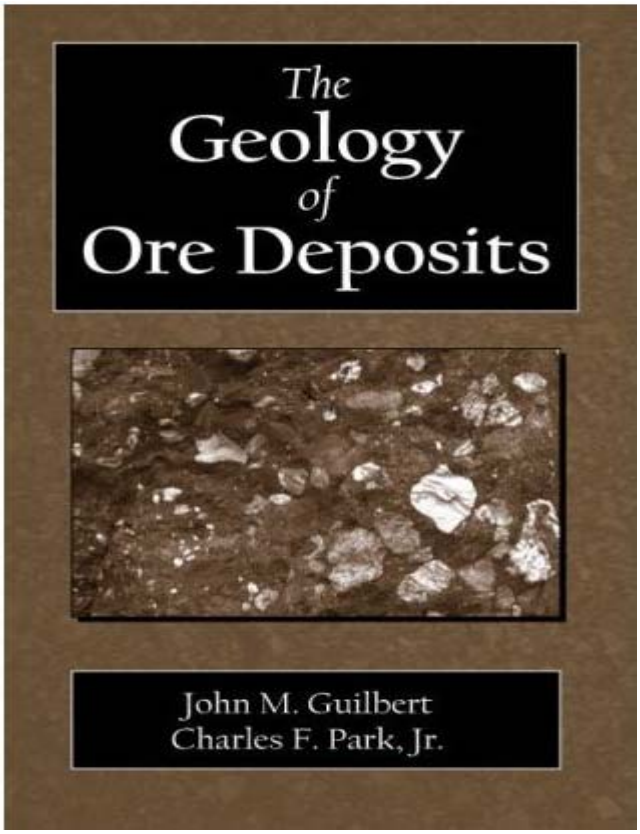
Bokan Mountain



When they shuttered the facility in the early 1970's, it was not by any means because the mine had tapped out. At the time, the closure was considered by many to be a routine and temporary one, due to the metrics of demand for Uranium, which unfortunately fell off the map for some 30 years thereafter. What's interesting about the mine deposit today is that it's open at depth and along strike. So, it's very exciting for us to undertake the reactivation and development the mine itself, not to mention exploring and developing the broad surrounding area.

***D.P*: Were there any numbers as to reserves at the time it was shut down?**

***J.M*: No, but in the late 1980's, the US Bureau of Mines , which has since been grandfathered into the USGS, provided an estimate of at least 11 million pounds of Uranium in the Bokan area, which remains untapped. Our geologists believe that the area is capable of housing many multiples of that figure, which remains to be seen. The USGS also came up with another remarkable estimate in 1988, effectively stating that the project area houses a world-class rare earth deposit. In fact, based on USGS figures, the area contains the largest combined heavy and light rare earth deposit in the United States. So that's a fairly dramatic statement, but based on a very reputable source.**

***D.P*: Some background on rare earth. Exactly which ones and how valuable could this be?**

***J.M*: We have a wide gamut of rare earths at Bokan. There's a large component of Yttrium there. There is Neodymium, Beryllium, and a significant range of both heavy and light REE's. Rare earths are considered by many in the minerals sector to be one of the sleeper stories of next decade, and they're receiving increased media coverage world wide. There are a few companies that have done very well emphasizing their concentration on the rare earths; not the least of which is *Avalon Ventures (AVL)* , which trades very well on the basis of a world class rare earth deposit at Thor Lake in NWT.**

The applications for the rare earths are expanding almost exponentially, on a year-by-year basis. The greatest need is in the high technology sector. The automobile industry uses rare earths extensively. For instance, every Toyota Prius emerging from the production line consumes roughly 20 kg of REE's. So the manufacture of hybrid vehicles is a high profile example.

Neodymium is used widely in the magnetics and superconductor industries. The REE group is used extensively across the entire technological spectrum, from cellular phones to flat screen computer monitors, and there are a broad range of critical military applications as well.

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The vast majority of the rare earths consumed internationally are now produced within China. Ten or 15 years ago, the U.S. was a world leader in this sector, particularly based on the deposit at Mountain Pass in California, which met a great deal of domestic demand at the time. But in the ensuing years, world supply has been cornered by the East, with over 90% of U.S. consumption now originating from China. Today, the concern is that China will likely place their own supply requirements ahead of the U.S. and others, in the event of an increasingly likely world wide shortages.

So this puts the U.S. and Canada at a disadvantage, to the extent that we are almost wholly dependent on a foreign power for the ongoing supply of a group of elements of great importance to our economic viability. So the REE's are very important group of elements, both strategically and economically. As I've said, they are the basis of a great deal of our technological and military complex. The U.S., I think, is now waking up to this, and the need to secure a reliable domestic source of supply. With Bokan having the largest estimated heavy and light REE deposit in the U.S., our positioning could not be better as a prospective source.

D.P: You recently, on the Bokan announced some drilling results that were simply spectacular for uranium. I mean some of this was equivalent to four ounce gold! Is this what you were expecting or was this a pleasant surprise to everyone based on drilling of decades ago?

J.M: I can't say that we expected to hit intercepts that were this stellar. We did have some inkling in advance that we were sitting on some extraordinary grades. The area that we are drilling right now is called the I & L Zone. It was previously drilled to a certain extent in the 70's. If you go to our website (www.ucoreuranium.com) you'll see that we have historical intercepts from that era, which range to 0.65% over considerable spans. So we had anticipated that the drilling in that zone would garner comparable results. However, the results that we released just last week are quite frankly, better than we had imagined or hoped for. They took us by surprise, and they took everyone by surprise in a very pleasant way. It shows that the area is extremely prospective, and is a great asset for the company.

D.P: What are some of the benefits of Bokan? Location has to be one of them….

J.M: Location is certainly one of them. It's located on U.S. soil, so that's a very good thing in terms of domestic supply, both for Uranium and the REE's. It's also located on the southern tip of the Alaskan Panhandle, so it's about as far south in Alaska as you can go without actually becoming a Canadian.

That means that the area is located about two thirds of the way up B.C., within the same boreal rain forest as Vancouver. A lot of people think of Alaska as the "Frozen Tundra", but the Prince of Wales Island is anything but. There's a tremendous amount of annual rainfall, which also means the area is mild enough to operate year round. That said, we plan to shut down our field program for a short period this winter, in order to gear up for the second season.

Next year and thereafter, we hope to have a land camp in place, or a multiple season crew barge, which will enable us to explore year round.

Another component of location is that Bokan is situated in close proximity to deep water access at Kendrick Bay. The mine mouth is less than 3 km from the ore staging area for deep water shipping. So, as in the past at Bokan, our objective is to take the ore out of the mountain and without having to process it, essentially put it on a barge and ship it down to the western seaboard into Seattle. A major rail and container port is just 100 km away at Prince Rupert, B.C.

Historically in that area, they have not had to do any processing because A) the ore has historically been very high grade, B) there was a heck of a lot of identified ore in the area, and C) the mine is so close to deep water access. So operators have not had to deal with issues such as tailings ponds or substantial processing on site. We believe this may be the case for us as well. So obviously that's another major advantage to us in that we likely will not have to construct processing facilities on site. That's a big consideration in terms of permitting.

Another advantage is that there is a great deal of historical infrastructure already in place. The vendor on the claims, Robert Dodson, is about 80 years old as we speak. He's devoted almost half of his life to maintaining the Bokan area. So, that's a remarkable story in itself. This gentlemen basically took over the mine as a hobby project back in the '70's, and for the next 37 years maintained the entire skeletal workings of the mine and its access routes. He's maintained all of the roads; he's installed extensive drainage systems; he's maintained the bridge network. He's done all of this almost single handedly, with some very basic equipment. On an annual basis, and for decades, he applied for and obtained all permits associated with the road and the camp. So, we've basically inherited the skeletal infrastructure of an operating mine, which is remarkable. The road network alone is enormous and worth millions at replacement cost. So, we've been very fortunate here, to say the least.

As a result, we believe the mine can be reactivated in a great deal less time than a standard Uranium mine. Many prospective Uranium producers estimate an activation and startup period in the range of ten years, with a fast track of seven years if all goes to plan. We believe that Bokan can be at production within three years. This reactivation of the mine has already taken place many times, and the majority of the estimated deposit remains intact. What's more, the historical cut-off grade for prior mining was .5%, extremely high by today's standards. So, even the product that was cast off is of great value today.

D.P: Now, you've got a drilling program that's still ongoing. Do you expect drilling results over the next few months? Or what kind of a calendar are we looking at?

J.M: During the first phase of drilling for this year, we completed seven holes. We've now extended the program over the last few weeks to complete a number of additional holes.

Our hope is to keep turning up until December and then effectively shut down the program for the year, then reactivate within the next quarter. We have a fair amount on the docket right now for pending assays. This is fine, since the entire industry is backed up for assay results, as you may know. Uranium is not a simple assay – it's more complex than gold. So it's not a quick turn-around. What's happened is we have this large influx of assay results that are now coming out in a fairly steady stream. We've had two results already, which have been released – one from about a week and a half ago and the one from last week. These were obviously stellar results, and we have a fairly healthy inventory of pending results on the short term horizon.

***D.P*: You are fairly consistent in forecasting what you think you have on your hands, but what can you say about the potential size and grade just might be? We all like to dream…**

***J.M*: It's an interesting question. As I've already said, USGS has attached an historical estimate which exceeds 11 million pounds. In their reports from late 1980's – they admit that this estimate could be conservative due to the shielding effect of certain types of radioactive materials.**

There are two things that we can conclude from this. Number one is that if you look at the USGS figures, the area has tapped less than 10 per cent of its estimated potential, which is a remarkable statement. The second thing to keep in mind is that our geologists believe that the area is capable of housing many multiples of that figure. Add to that the historically high grades of the mine and the very high grade of our first few drill intercepts, we have a tremendous prospect on our hands.

Keep in mind that the Bokan deposit is no secret. Google the name, and you'll be inundated with historical information. The ore body has even been covered by several well known academics. A good example comes from one of the best selling advanced level geology text books, known as "*The Geology of Ore Deposits*" by Gilbert and Park. That text examines Bokan as a representative ore body, with grades to 3% U(3)O(8), and goes as far as to state that other ore bodies will probably be found within the Bokan area. It's always good to get a vote of confidence from a work that is essentially one of the "Bibles of the Industry". Not many juniors have such an asset under their control. So we're aggressively moving ahead to develop this.

***D.P*: We can't be talking about a uranium story without taking a look at uranium prices, which saw uranium, fly to unbelievable levels close to $135 a pound, only to get crunched to $75. What do you see next for uranium?**

***J.M*: I think the uranium prices are going to stabilize over the intermediate term. Certainly the long-term fundamentals of demand are as strong as they've been for the past several years – nothing has changed. As do many analysts, I agree that demand will significantly outstrip supply over the coming decade, and the fundamentals remain very strong. So what does that mean at the end of the day? I guess it means that we have a fairly strong, long-term prognosis for the price of uranium. My personal feeling is that it will stabilize between $80 and $100 per pound for the long-term.**

***D.P*: One question we always end these interviews with is, if you could buy one mining stock other than your own, what would it be?**

***J.M*: We had talked about that briefly yesterday, and I believe that *Crosshair Exploration (CXX)* is a good investment.**

***D.P*: That's one of the uranium players in Labrador?**

***J.M*: That's correct, with very, very solid management. If you look at the history of their stock price, it has done very well . Their management is very aggressive and determined to capitalize on long-term demand, and I just like the complexion of the company in general. So I think Crosshair comes very well recommended in the field of uranium juniors.**

Thank you very much Jim!

***Disclosure*: Crosshair Exploration:** Canaccord Capital covers this stock and has a Speculative Buy rating on it. (Speculative buy: Stocks bear significantly higher risk that typically cannot be valued by normal fundamental criteria. Investments in the stock may result in material loss.)
Canaccord has recently participated in a financing for **Ucore Uranium**.

DEB'S DITTY:

Definition of an Upgrade: Take old bugs out, put new ones in.

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