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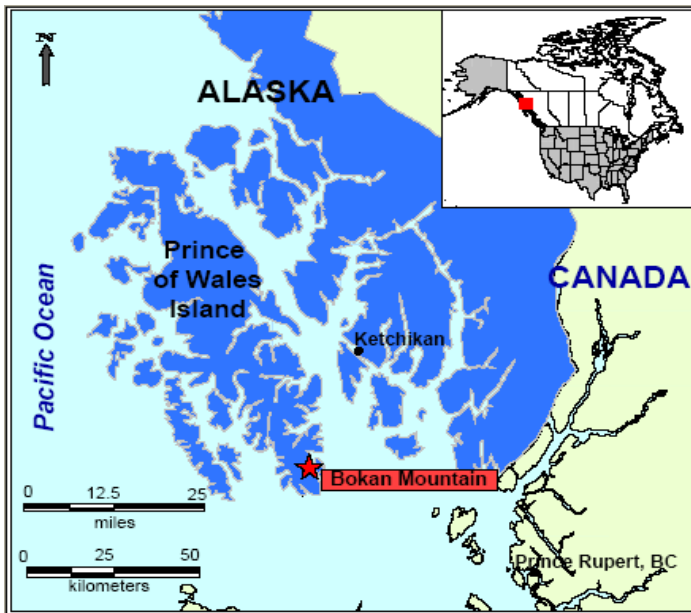
**AN INTERVIEW WITH JAMES MCKENZIE  
PRESIDENT AND CEO WITH UCORE URANIUM  
(As of September 8, 2007)**

The last few months have seen some head-turning developments in a previously little-known sector called the Rare Earth Elements (REE's). Prior to then, few people uttered the words "dysprosium" or "ytterbium", much less knew how to spell them. Now, they seem to be in the limelight of the resource markets, with a handful of companies seeing major gains on the back of their formerly overlooked REE deposits. One such company is Ucore, whose Bokan-Dotson Ridge property in Alaska contains one of the largest estimated heavy REE (HREE) deposits in the world outside of south China.

The rare earths are a mysterious group. There's 15 of them in total, and without them, much of technology as we know it today would grind to a halt, from mobile phones to laptops to hybrid vehicles and many of the "green technologies" touted to reverse global warming. China currently provides about 97% of the REE's consumed worldwide, and an announcement on August 17 that they intend to cut back aggressively on these exports sent the relatively concentrated REE sector into a bit of a froth, with Ucore more than tripling its share value on very heavy volume since then. Ucore had done well with a uranium focus, but this *Rare Earth Mania* has reinvented the company, with a HREE asset that many believe to be one of the most prospective in the world.

**David Pescod:** There's been a lot of media coverage of rare earths lately. Some are calling it Rare Earth Mania. Why do you think this is happening?

**James McKenzie:** Well, this is a story that's been brewing for some time. Twenty years ago, the U.S. was the main supplier to the world for these technology metals, mostly from Mountain Pass in California. Since then, China stepped in and began supplying the market with very inexpensive product. The result was that the U.S. essentially withdrew from production, with Chinese supplies being cheap and seemingly limitless.



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Page 2

Now, the story has changed. China currently supplies almost all of the REE's consumed worldwide. The use of REE's have become essential to most forms of modern technology, and China has come to realize that their supplies are in fact limited.

James Dines was visionary in this regard. As the Original Rare Earth Bug, he started warning his readers of an impending crisis over the past year. His warnings certainly jump-started a wave of the interest in the West, and REE stocks here started to gain traction in the second quarter of 2009. Another very early warning siren was sounded by John Kaiser, who coined the phrase "Rare Earth Mania" in his detailed coverage of the sector, and the story gained more momentum. The real tipping point seemed to arrive in late August, when China announced progressive cutbacks to REE exports, and the possible outright prohibition of the export of certain HREE's that are incidentally particular to Ucore's Bokan deposit. The New York Times picked up the story in early September, and the coverage has since gone a great deal more main stream.

Last Friday, the high volume trading began again in earnest and many leading investment advisors, lead by Mr. Dines, have speculated that we may be seeing the early stages of a profound surge in rare earth stocks. The story is gaining progressive attention south of the border. Certainly, the spread of a narrative with such major implications to US competitiveness versus China could be dramatic. For Bokan, as the largest prospective HREE development on US soil, the implications are obvious. We'll see how this momentum unfolds in the States and elsewhere.

**D.P.** Why all the fuss over China? Aren't there other sources of REE's in the world?

**J.M.** Yes, there are prospective sources. But the many years of China's dominance in this area has meant very few dollars have gone into alternate developments. So, we've seen atrophy here. In recent years, Australia has been viewed as an alternative to China, with one of the world's largest light rare earth, or "LREE" deposits at Mt. Weld and another prospect at Nolan's Bore. But these projects hit stumbling blocks during the recent economic meltdown, and they've turned to China itself as a means of underwriting the development cost. The result is the possibility of still more consolidation of REE supplies in the hands of the Chinese.

Harmen Keyser at Bokan North Face



Google Earth oblique of Bokan Mtn. area. South Prince of Wales Island, AK



Crew barge 2007, south west shore of Kendrick Bay.

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Page 3

In the West, the largest contender is Molycorp's Mountain Pass, which is now undergoing reactivation. AVL's Thor Lake and RES's Bear Lodge have great potential as well. But the perceived lag between impending cutbacks from China and near term alternatives in the West is a significant issue. China's recent message that their domestic supplies may be marshaled for its own internal use has been heard as a sort of warning shot, and has accelerated the demand for REE development in the West.

**D.P.** What about Ucore's Bokan project? What sets that apart from other REE deposits in the West?

**J.M.** Well, as I've said, the entire REE sector here has been affected by the Chinese supply crunch. That said, Bokan has a number of unique features that I believe make it stand out from an already very small group of North American deposits.

The first of these is Bokan's remarkable skew towards the more valuable of the rare earths, which are called the heavy REE's or "HREE's", as opposed to the light REE's, or "LREE's". HREE's trade at substantially higher prices. Whereas LREE's can be valued in the tens of dollars per pound, HREE's run a range between hundreds and thousands of dollars per pound.

So these are apples and oranges to a great extent. The value per ton of an HREE-skewed deposit, with average grades comparable to those of an LREE-skewed deposit, all other things being equal, can be significantly higher. This also means that you'd theoretically require much lower grades and significantly lower overall ore content to make an HREE mine economically feasible.

This is not to imply that Bokan grades can be considered low by any means. On the contrary, our grades are remarkably high in comparison to current HREE sources in south China for instance. They're also among the richest HREE grades reported in the Americas. This means that relative quantitative levels required to develop Bokan, both in terms of grade and tonnage, are theoretically less than a deposit with a pronounced LREE-skew. This will be a strong competitive asset for us as we move into feasibility.

Also, we're by no means saying that our estimated tonnage is limited either. USGS figures support Bokan as the largest estimated HREE deposit in North America, with a very high 374M lbs of contained rare earth oxides. This is a non 43-101 compliant estimate, but from one of the pre-eminent geological authorities in the US.

**D.P.** You mentioned in other conversations that beyond grade and tonnage, Bokan has some unique geopolitical advantages. What did you mean by this?

**J.M.** Well, there are a number of geopolitical points that set us apart. Perhaps one of the most valuable here is the active involvement of the U.S. government in determining the scope and nature of the deposit. As far back as the late 80's, the USGS/USBM has invested substantial sums in understanding the HREE's at Bokan. Their strategic value was recognized even then. There was a major resource study in the 80's, then an extensive laboratory-based metallurgical study in the 90's, and in this decade, sizable mineral characterization studies now in progress. Each of these large scale research ventures has been fully funded by the US Geological Survey or its predecessors.

So this is more than just a passing interest of the USGS, and an area that's now come within the interest of the current Administration. A Congressional Subcommittee convened in June of this year to hear testimony from the US Department of Defense. Their focus was the imminent need to secure rare earths domestically within the US, using calculations drawn heavily from the USGS data. Also, it's important to note that the USGS/USBM has spent more time, financial and human resources on understanding the scope and the nature of Bokan than on any other HREE deposit in the United States. The opening lines of their 1996 metallurgical study of Bokan, by Green and Harbuck, set out the interest of this federal agency regarding Bokan in a nutshell, and I'm reading from the executive summary of that study:

*"The Bokan Mountain area on Prince of Wales Island, Alaska, contains vast quantities of heavy rare earth minerals. To lessen the US dependence on foreign sources, the US Bureau of Mines investigated yttrium recovery from this ore."*

So, that's a fairly good paraphrase of what we have on our hands, and why US agencies have taken an increasing interest here. As a side note, the focus on yttrium is telling, since yttrium can be considered a proxy for the entire group of heavy rare earths, otherwise called the "Yttrium Group".

**D.P.** You mention metallurgy. I understand that this component is tremendously important in making or breaking a rare earth deposit. Plus, you put out a fairly well received metallurgical press release last week. Can you comment on that?

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Page 4

**J.M.** Yes, we think that press release is a major milestone for Ucore. Aside from grade and tonnage, metallurgy is sort of the 800 pound gorilla of REE deposit viability. You ignore it at your peril, and many prospective REE projects have been sunk by recalcitrant metallurgy. The metals of the rare earth suite are all so similar in their make up that differentiating them, separating and recovering each from the others, can be a daunting task in the lab.

Once again, we're benefitting greatly from the USGS/USBM here. They invested in a very large scale metallurgical study in the 90's. The result was that they arrived at what can ultimately be a very elusive goal for REE mine feasibility: the determination of effective and economically feasible metallurgical separation formulas. Those formulas are unique to each deposit. Exacting techniques that work in one circumstance seldom transfer to another. So, in spite of promising REE grades, many deposits suffer from an inability to recover the net oxides in an efficient or economic way.

In turn, the USGS metallurgical work at Bokan certainly had no guarantee of success. They were costly and time consuming to determine. But in the end, the loading and stripping values that the USGS obtained at Bokan were very high: 97 and 100% respectively. The Green and Harbuck leaching formulas are indispensable to us now. They represent an asset that few emerging REE deposits can lay claim to.

Plus those formulas effectively leap frog us ahead in the mine feasibility cycle. To further assure ourselves, we had an independent facility review the USGS metallurgical findings to current standards and they found them to be fully compliant. So again, last week's press release was important to us, to say the least.

**D.P.** Your property is in Alaska. How has this affected you as you move ahead?

**J.M.** Well, I think there may be a few misconceptions about Alaska that would be helpful to address. Perhaps the most important point to make here is the excellent approval rate of mines in that area. Many are surprised to learn that there's never been a mine project that's been rejected in the State of Alaska once it has entered the permitting process. That's a fairly remarkable statement. It's also an unsurpassed statistic that obviously doesn't apply to the bulk of the United States and certainly not to Canada, where mineable area prohibitions and first nation's issues are commonplace and a very real development risk.

That's not to say that mine permitting in Alaska is easy, since it's a detailed process on a par with anywhere in Canada. But ultimately, Alaska is renowned as one of the few locations in North America, if not the world, where the mining approval success rate is absolutely 100%.

Part of this has to do with the history of that area. Much of Alaska was settled by miners in the 1800's. The Alaska State Constitution in 1956, with its terms of entry into the Union, actually included a mandate of resource development for maximum benefit to Alaskans. It was one of Alaska's stipulations in joining the union and it's unique in the States. Alaska today remains overwhelmingly promising, as evidenced by the resounding defeat of Proposition Four in 2008. So, the majority of the voting public there believes in the benefit of mining as an economic pillar. Alaska's unrivalled approval rate for new mine proposals is reflective of this.

As in Canada, there are interest groups with valid concerns, and their input is a functional aspect of development. But again, the end approval rates for mining facilities there speak for themselves. Also, the Bokan Rare Earth project benefits from yet another layer of mineral rights protection in its particular part of Alaska, and one that's not available in Canada. It's located in an area managed by the US Forest Service. Absolutely no populations are permitted to live in the area, and it's set aside by federal legislation for sustainable resource development to the greater benefit of the US population. In turn, the possibility of intervention by First Nations or other interest groups is minimal. We absolutely could not ask for a better situation for prospective mine development, not only as a strategic location within the US, but in North America at large.

**D.P.** So how long do you think this rare earth bull will last, and what are your plans for Ucore during that time?

**J.M.** Well, regarding the sector, it's hard to say. We've heard many people say there's an analogy here between the REE bull and the uranium bull of the past few years, and that sector has had a very long and resilient run. However, I think that REE companies have a big advantage over their uranium counterparts in that the number with legitimate REE deposits are so very limited. When the uranium cycle began, we saw a great number of juniors join the field fairly quickly. But that's a harder thing to do in the REE space, since prospective REE prospects are so few in North America and beyond.

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Page 5

So, there's a lot of demand chasing very few participants, and that can be a good thing for staying power. I'd be very happy to see a trajectory that mirrors the U bull. I think the fundamentals are there, with demand surging and supply receding very quickly in the near term. We also have at Bokan a product that's fairly unique even in the already very limited rare earth supply space, with HREE's that are worth a great deal on a per pound basis. So, the immediate future, to say the very least, is bright.

For Ucore, we're moving as quickly as possible to drill up a 43-101 compliant resource as a natural next step. Our drill program is commencing right now at Bokan-Dotson Ridge, and we're targeting 1500 -2000 metres before the end of October. With that in mind, we'll have current assays in the not too distant future. So this is an exciting time for us and for the sector.

D.P. Thanks Jim. We'll sign off with a question we always like to ask in these interviews. If you could buy one stock other than your own, what would that be?

J.M. Well, this might sound a little like I'm singing off of just one song sheet, but I'd definitely stick to the REE sector, as I honestly can't think of an area that has as much upside potential in the short term. My recommendation would be Rare Element Resources (TXX-V:RES). They have some unsurpassed rare earth geological talent looking at a very promising deposit at Bear Lodge in Wyoming. Their VP Ex, Dr. James Clark is one of the most experienced rare earth exploration geologists in the sector, and their deposit is located on US Forest Service land which, as we've discussed can be a tremendous benefit. Their management team, including Dr. Donald Ranta and Mark Brown have a lot of experience and a tremendous record of success, so they're an excellent bet in an already very promising sector.

D.P. Again, thanks Jim, and best of luck!

## DEB'S DITTY:

Arthur is 90 years old. He's played golf every day since his retirement 25 years ago. One day, he arrives home looking downcast.

"That's it," he tells his wife. "I'm giving up golf. My eyesight has gotten so bad that once I hit the ball, I can't even see where it goes."

His wife sympathizes with him and makes him a cup of tea. As they sit down, she says, "Why don't you take my brother with you and give it one more try?"

"That's no good," sighs Arthur. "Your brother's a hundred and three years old. He can't help."

"He may be a hundred and three," says the wife, "but his eyesight is perfect."

So the next day Arthur heads off to the golf course with his brother-in-law.

He tees up, takes an almighty swing and squints down the fairway.

He turns to his brother-in-law and asks, "Did you see the ball?"

"Of course I did!" replied the brother-in-law. "I have perfect eyesight!"

"Where did it go?" asks Arthur.

"I don't remember."