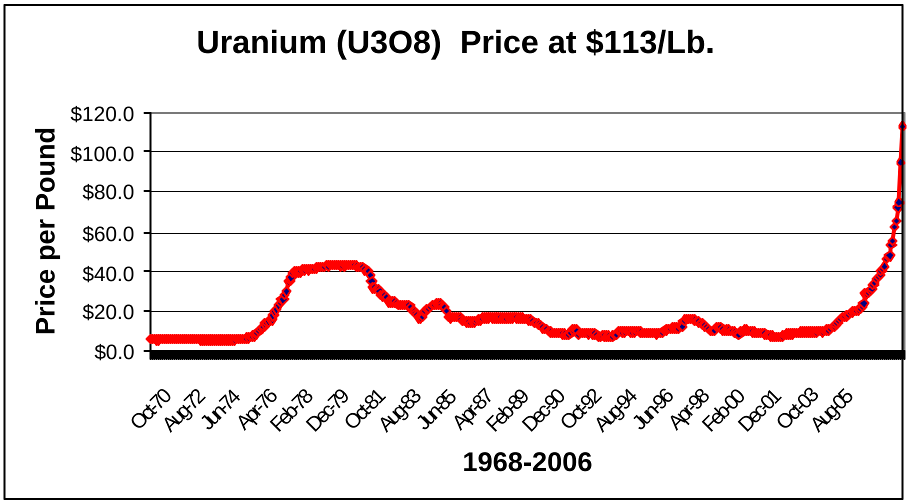
Uranium Hits $113/lb.



Now that U_3O_8 has risen above \$100, it begs the question. How much higher can it go? This whole exponential rise in the price of uranium is a result of government intervention. The application of uranium from disassembled Soviet nuclear weapons suppressed the price of the metal so much that all but a handful of the richest, lowest-cost mines closed down. But now, with an annual shortfall in the range of 30% or 35% from the mines to supply the existing 440 nuclear reactors around the world, there is a bit of a panic in the market due to uncertainty over where the supply of uranium will come from when these stockpiles are depleted. Until some clarity exists with respect to this still-unanswered question, speculative/panic buying is likely to occur because of the importance of uranium in fueling nuclear power plants, which supply a very significant portion of the world's electricity.

What Could Derail the Uranium Bull Market?

We are in a secular bull market for commodities in general and there are many people who think this bull market is still in its early days. As long as the global economy avoids a major depression I think that view is likely correct. However, the market for uranium has been unlike any other commodity market in that it has not had any significant market correction for several years now. As such we are more than due for a correction—perhaps a significant one at that. What might cause a major decline in the price of U_3O_8?

Underlying the unusual behavior of the uranium market are the economic dislocations, caused by government intervention. Ultimately, to the extent governments step aside and allow these markets to work, a more stable equilibrium price will come into existence. At what price a more stable equilibrium will come is anyone's guess. But I think it is entirely possible it could be at levels much lower than the current \$113 per pound that was last quoted, although spot prices could remain high for some time, not only because it takes a long time to begin producing from new mines, but also because other available technologies, such as the following, require great amounts of capital in an industry that is always uncertain of the future, thanks to heavy government intervention:

- Greater enrichment would allow for more efficient use of U_3O_8 and require considerably less of this metal to be mined.
- Greater use of fast breeder reactors, which can use spent fuel (after reprocessing), thus utilizing material that would otherwise be stored away as waste. This too would reduce the amount of U_3O_8 that must be mined.
- Reprocessing of spent fuels could go a long way toward closing the gap and would also reduce the amount of U_3O_8 required to fuel nuclear power plants. According to Brew Barron, group executive and CNO of Duke Power, if all the spent fuel currently in storage in the U.S. could be reprocessed, the result would be 250 million lbs. of natural uranium.

The problem with all of these solutions to the nuclear fuel shortage problem is one of scarce capacity and capital costs to build more capacity in an industry that is highly uncertain, thanks to constant government intervention and concerns about "security."

Gradually, supplies from uranium mines will begin to rise. For example, Moukhtar Dzhakishev, president & CEO of NAC Kazatomprom, is suggesting his company will increase production of U_3O_8 from 13.2 million pounds in 2006 to 38.5 million pounds by 2010 and 59.4 million pounds by 2017. To put that in some context, in the U.S. we consume 55 million pounds of uranium per year at our 104 nuclear reactors. We have about 24% of the world's nuclear reactors and the capacity of our reactors is approximately 27% of the world's electricity generating capacity. At present, the U.S. produces only about 4 million pounds of U_3O_8. The 51-million-pound shortfall represents a large percentage of the global shortfall, so if Kazakhstan is able to produce quantities of this metal, as they project, it isn't difficult to see the production deficit being narrowed fairly quickly.

What Could Tank Uranium Stocks?

Recently, David Miller, president of Strathmore Minerals Corp., was quoted as saying there is something like 1.5 billion pounds of U_3O_8 identified around the world as "reserves." By definition, reserves must be mined at a profit or they are not defined as reserves. If the price of the metal were to fall significantly, the pounds of "reserves" in the ground would no doubt fall considerably as well. But what could trigger longer-term uranium contract prices in the not too distant future?

In my view, it is very possible if not even very likely that there will be one or more very significant new high-grade deposits found in the Athabasca Basin or some similar geological setting that could quickly render prospects for many lower-grade mines non economic. Keep in mind that mining exploration companies are really looking into the future, and share prices for these companies rise dramatically during the discovery phase. But the prices paid for deposits being found in the ground are based on at least some vague sense of future metals prices. If some new major source of uranium is discovered such that the current future gap between supply and demand is met, longer-term contract prices will decline and with them so will the price of junior exploration companies.

Over the past two or three years, with the rise in the price of U3O8, there has been a great deal of exploration in the Athabasca region. The footprint of the mines in the Athbasca are small, even when you add them together. Yet, they are so incredibly rich that 30% of the world's uranium comes from this region. Most important is that the grades of these mines are so incredibly high that they will remain in production no matter how low the price of uranium were to fall. For example, based on $52 uranium, the "lowest-grade" mine is the Rabbit Lake Mine with per-tonne values of $1,409. There are two other mines with amazingly higher values including Cigar Lake ($21,896/tonne) and McArthur ($27,857/tonne). It is my view that the chances are quite good that there could be one or more new high grade uranium discoveries in the making right now that could help fill the gap and take future U3O8 contracts down and thus hurt junior uranium exploration stocks in the process.

The risk of any imminent high-grade discovery is a speculation on my part, but it is not without some basis in fact. For example, AREVA/UEX Corp. recently announced a decision to sink a $100 million exploration shaft to develop known uranium resources at their Shea Creek Project. The deposits were discovered through drilling programs conducted over the last 15 years, but defined within the past 3 years. The Shea Creek Project is expected to be the third-largest uranium production center in the Athabasca, following McArthur River and Cigar Lake. Also, Denison Mines Inc., a recommendation of this letter, recently reported high-grade intersections of between 13.5% and 22.6% U_3O_8 in surface mineable terrain on the Mae Zone of their Midwest Project joint venture with AREVA. Exploration work on the Mae Zone was first initiated in 2005. Another one or two Cigar Lake or McArthur discoveries and the projected shortage of uranium could disappear in a hurry. That would not be good news for the speculative uranium exploration sector. And so I think we do not want to forget some junior exploration stocks that have a chance of coming up with a major high grade discovery in the Athabasca Basin. One of the best prospects for doing so among the juniors might be CanAlaska Uranium. Following is a review of that stock. It hasn’t done much since we added it to our list in December 2006. However, the company is getting ready for some aggressive drilling now which could very quickly make this stock come to life. I think this is one speculative uranium exploration play that bears watching. They could come up big in the Athabasca.

J Taylor's

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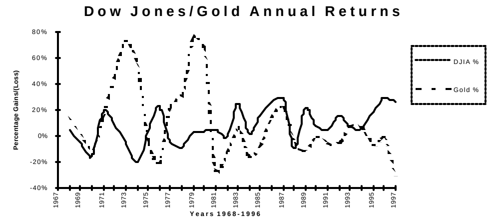

& Energy Tech Stocks

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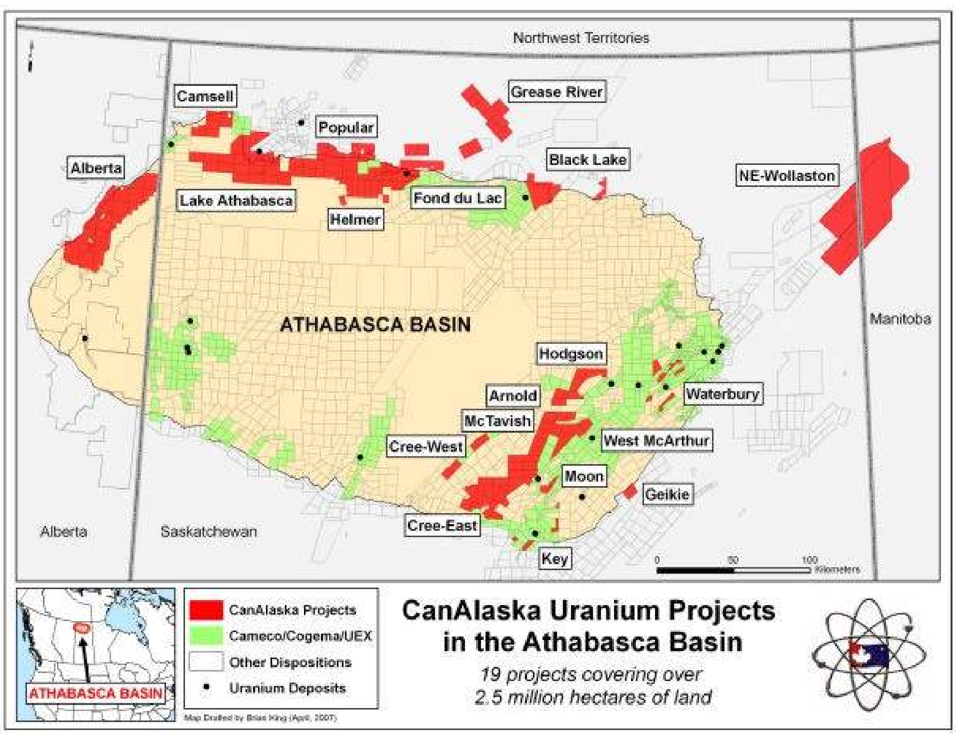
Company Review

CanAlaska Uranium

Business: Exploring for high grade uranium deposits in the Athabasca Basin

Traded TSX:	CVV
Pink Sheets:	CVVUF
Initial Coverage 12/20/06:	$0.56
Price 4/30/07:	$0.60
Shares Outstanding:	105,848,203
Market Capitalization:	$63.5 Million
Progress Rating:	"D"
Telephone:	604.685.1870
Website:	www.canalaska.com

CanAlaska Uranium (CVV) is still rated as a "D" progress company because it has yet to outline a resource which would qualify it as a "C." The market has barely taken notice of the fact that the company has been been spending some Cdn $19 million on its massive Athabasca Basin claims since late 2004 to set up drill targets. Markets generally do not get excited about preliminary geological work required to establish drill targets. They do get excited however about drilling. Now that this company will be carrying out one of the most aggressive drill programs in the Athabasca Basin, I think it is time for speculative investors to take note and acquire a few shares especially given recent weakness in the stock.



CVV holds one of the largest prospective land portfolios across the Athabasca Basin. At close to 4,000 square miles, its land holdings surpass the combined holdings of leading producers Cameco and Areva combined.

One of the things I like most about CVV is its project generation model in the uranium sector. The beauty of this model from a shareholders perspective is that dilution is reduced as other companies spend their cash to fund drilling. One such company is **Mitsubishi Development Pty Ltd.** a subsidiary of Mitsubishi Corporation. Mitsubishi is a partner on CVV's West McArthur Project shown on the map above. Mitsibushi is required to fund Cdn$11 for exploration on this project to earn a 50% interest. But there are a number of other companies such as International Arimex Resources Inc., Northwestern Mineral Ventures (Also a recommendation of this letter), and Yellowcake plc. Management reports that it is continuing to hold discussion with other significant international parties regarding strategic cooperation. Over all, CVV holds 19 projects in what is legitimately described as the "Saudia Arabia of uranium." Now with drilling getting underway on a number of projects in an aggressive manner, things could get very exciting for CVV shareholders in the weeks and months to come.

Management

A word is in order about the management and exploration team put in place at CanAlaska. The President of the company is well known to your editor. He is Peter Dasler, an exploration geologist with over 30 years of experience. The Chairman of the Board is Harry Barr, an experienced mining executive and fund raiser. The exploration team, which has 13 geologists, and 3 technicians is headed by Dr. Karl Schimann, one of the co-discoverers of the giant Cigar Lake Mine. Also, CVV recently announced the addition of former U.S. Ambassador Thomas Graham Jr. to its board of directors. As a noted authority in international nuclear non-proliferation Ambassador Graham brings with him a sense of potential government intervention that has effected the nuclear power industry in a significant manner in the past.

Summary

We don't want to mislead you into thinking this is anything other than a very speculative uranium play. But it is a good one given its massive holdings in the richest uranium producing area in the world and a strong management team. Now that the boring preliminary geology is out of the way and aggressive drill programs set over the remainder of 2007 and with its share price considerably off its highs, we think CVV is one of the more exciting junior uranium stock plays in the market now. As always we strongly advise subscribers not to allocate more than 5% of your portfolio to this one stock. If one of the properties on CVV's claims begin to show signs of a major U3O8 discovery, that 5% should bolster your overall portfolio returns very considerably. If it falls short of those hopes and expectations, you won't go broke and your wife won't leave you at least not on the basis of CVV alone.