Siddharth Rajeev, B.Tech, MBA
Analyst

Martha Buckwalter-Davis, BA (Geology)
Research Associate—Mining and Energy

Kevin Liu, BBA, BSc
Research Associate

Fundamental Research Corp.

Investment Analysis for Intelligent Investors

February 27, 2008

Alberta Star Development Corp. (TSXV: ASX, OTCBB: ASXSF, F: QLD) – Update on Drilling Results

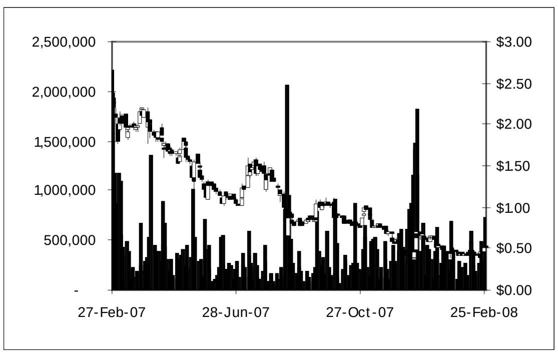
Sector/Industry: Junior Mining/Silver/Uranium

www.alberta-star.com

Market Data (as of February 26, 2008)

Current Price	**C$0.50**
Fair Value	**C$0.78 (↓)**
Rating*	**BUY**
Risk*	**5 (Highly Spec)**
52 Week Range	C$0.35 - C$2.65
Shares O/S	104,536,561
Market Cap	C$52.27 million
Current Yield	N/A
P/E (forward)	N/A
P/B	2.09
YoY Return	-80.9%
YoY TSXV	-17.1%

*see back of report for rating and risk definitions



Investment Highlights

- Alberta Star is exploring for giant IOCG (iron oxide copper gold) deposits and high-grade epithermal veins. Their large property encompasses five historic producing mines in the Northwest Territories.
- The company's 2007 drilling program has been completed and assay results are being released periodically.
- These results continue to highlight the IOCG potential, including the polymetallic nature and wide intervals.
- The company's "Co-operation and Access & Benefit Agreement" with the Deline Land Corp. has been upheld. The company is a large employer in the region and we believe they have established a good social relations program.
- We have lowered our fair value estimate from $1.19 to $0.78, as our valuation metric (enterprise value to mineral assets) dropped from 4.5 to 2.9.

Risks

- Risks to the company's project include political environment, remote location, and exposure to commodity prices.

Key Financial Data (FYE - November 30) (C $)	2005	2006	2007 Q3 (9 mo)
Cash and Cash Equivalents	11,841,868	30,149,153	28,008,620
Working Capital	11,885,123	30,224,674	24,436,217
Mineral Assets & PPE	14,113	107,424	589,823
Total Assets	11,978,824	30,798,020	29,259,873
Net Income	(2,832,810)	(11,630,209)	(3,020,026)
EPS	(0.06)	(0.14)	(0.03)

Alberta Star's Eldorado-Contact Lake landholdings total over 93,000 acres and encompass five former uranium and silver producing mines. They have identified numerous uranium and silver prospects on their property, and are also exploring for a large IOCG system.

Company Overview

Alberta Star controls a very large land package in the Great Bear Lake region of the Northwest Territories, a historic uranium and silver producing region. Their property encompasses five historically producing mines. The company is exploration focused, and has built a good reputation for operations in the Northwest Territories. They are a significant employer in Yellowknife due to their large, labor-intensive exploration programs, and are the first company to be permitted to drill on Sahtu Dene First Nations claims. We believe Alberta Star has set themselves apart from the number of companies exploring in the Northwest Territories, as they have built good social and political relationships, they have proven their ability to raise financing, and they have been very successful in exploration.

Mining Outlook Northwest Territories

The Northwest Territories is an especially geologically rich region, and from a purely mineral potential perspective, is considered to be the most attractive region in Canada for IOCG deposits. However, there has been controversy regarding regulatory structure and political influence. The Northwest Territories is more difficult to permit and explore in than its neighbor to the west, the Yukon. Alberta Star has reported that the Deline Land Corporation representing the Deline First Nations passed a resolution in December 2007 which suspended any further uranium exploration or development on Deline land. Deline is honoring all existing agreements, including Alberta Star's. The company has signed a formal "Co-operation and Access & Benefit Agreement" with the Deline Land Corp.

Eldorado-Contact Lake Property

Property Overview: The Eldorado-Contact Lake property covers over 39,671 hectares in a highly prospective region in Canada for IOCG deposits. The property is roughly divided into four separate units: Port Radium/Eldorado (or Contact Lake North), Contact Lake South, Eldorado South, and the recently acquired Eldorado West. The company has drilled eight separate targets on the property, which are summarized starting on page 4 of this report. Over 25 targets have been identified.

Geology and Mineralization: This region has a complex geologic history that has created a large mineralized system enriched in a wide variety of economic metals. Management estimates they have identified 40 metals of economic interest on the property. At least 25 targets have been identified, 8 of which have been drilled. The company is focused on polymetallic IOCG targets that are enriched in base and precious metals as well as uranium.

2007 Exploration Program

2007 Exploration Program: The company has completed a 20,000 meter drilling program designed to test their priority targets. The priority targets include the K2 Discovery, Mag Hill, Mile High Breccia, Echo Bay, Echo Bay South, and Eldorado South. Drilling results released to date from the targets have been highly mineralized in a classic IOCG style. **This style is characterized by low grade, polymetallic mineralization over wide intervals.** The specific mineralization varies from target to target, but all include base metals and precious metals.

Eldorado: The company drilled nine holes into the Eldorado target in 2007. The company announced two holes in January 2008, and one hole in February 2008. The Eldorado target is being explored for extensions of high-grade mineralization previously exploited. It is high in zinc, lead, and silver. PR-07-21 intersected: 12.34 meters of 1.01% zinc and 0.25% lead, 15.0 meters of 0.12% zinc and 0.15% V_2O_5 and 4.9 meters of 0.22% lead, 0.44% zinc and

0.11% V_2O_5. PR-07-23 intersected: 185.4 meters of 0.12% V_2O_5 including: 28.24 meters of 0.21% V_2O_5 and 34.20 meters of 0.26% zinc and 8.82 meters of 0.21% zinc and 11 g/ton silver including 2 meters of 0.25% zinc, 30.2 g/ton silver and 0.10% nickel. PR-07-24 intersected: 9.37 meters of 0.573% copper, 0.043% uranium and 0.089% vanadium including 1.50 meters of 0.097% U_3O_8 and 1.06 meters of 1.85% copper, 0.142% U_3O_8 and 0.110% V_2O_5.

Camel Back: The Camel Back IOCG target is located west of the Eldorado/Port Radium Mine at Glacier Lake. The company drilled 16 holes into this target in 2007. The results of 13 holes have been released. This very large target (3.5 km by 1 km) is broadly mineralized with high-grade veins throughout. It is a classic IOCG target with polymetallic mineralization.

- CB-07-4 intersected 6 meters of 0.37% zinc
- CB-07-13a intersected 10.0 meters of 0.22% copper as well as 10.5 meters 0.13% copper and 0.25 meters of 0.12% U_3O_8
- CB-07-14 intersected 52.0 meters of 0.30% copper as well as 31.55 meters of 0.34% copper
- CB-07-15 intersected 13.30 meters of 0.21% copper as well as 1.55 meter of 0.69% copper and 20.6 g/ton silver, 4.2 meters of 0.37% copper, 0.23% V_2O_5 and also 1.5 meters of 0.23% V_2O_5

Echo Bay: The company drilled eight holes into the Echo Bay target in 2007, following up on ten holes drilled in 2006. The results were notable for wide intervals of low-grade mineralization. EBM-07-11 intersected several mineralized zones including 58.25 meters of 0.61% zinc, 0.20% lead, with higher-grade narrow intercepts within. EBM-07-13 intersected 30.10 meters of 0.75% zinc, and 0.28% lead.

Skinny Lake: The company drilled three holes into the brand new Skinny Lake target in 2007. The company discovered a new polymetallic zone of 22.50 meters grading 2.24% zinc, 0.23% lead and 18.35 g/t silver. The Skinny Lake target is located near Mag Hill and resembles the Echo Bay mine in geology and alteration.

K2: The company drilled nine holes into the K2 target in 2007, following up on eight holes drilled in 2006. The K2 target is a hydrothermally altered breccia enriched in copper, gold, silver, and cobalt. Highlights from this program include K2-07-11: 60 meters of 0.37% copper, K2-07-12: 93.00 meters of 0.35% copper including 1.35 meters of 1.45% copper and 2.97 meters of 27.3 g/ton silver, and K2-07-13: 36.70 meters of 1.11% copper.

Mile High Breccia: The company grabbed approximately 30 samples at the Mile High Breccia, following up on its discovery in 2006. These samples were enriched in copper, silver, lead, and zinc. High grade results include 2.35% copper, 0.33% zinc and 134.2 g/ton silver as well as 1.01% copper, 1.24% lead, 1.31% zinc, 72.1 g/ton silver.

Current Developments: The company is planning to spend at least $10 million on exploration in 2008. The company is currently awaiting further permitting to allow drilling on the large geophysical anomaly identified at Eldorado South. They are permitted to drill in other areas. They have applied for a 5 year, 75,000 meter drilling program at Eldorado South from the Sahtu Land and Water Board. This large anomaly may represent a near surface uranium deposit. The company will continue drilling in May 2008 and is well funded for the program. The primary focus of this program will be Eldorado South.

Resource Estimate: There is a non NI 43-101 historic resource contained in the uranium tailings at El Dorado and Echo Bay. This resource is approximately 910,000 tons of Uranium, and approximately 800,000 tons of silver tailings. The average grade of these tailings estimated through sampling in 2006 is 154 g/t silver and 0.79% U_3O_8. The company is evaluating the potential of the tailings and plans to continue metallurgical recovery testing and drilling.

Outlook for Uranium

Uranium prices have been exceptionally volatile and have dropped by 81% to US$75/lb after achieving a record high of US$136/lb. However, uranium prices are still up by 100% since January 2006, when prices were US$37.5/lb. The table below shows uranium prices since 1970. Note the steep fall in prices after July 2007.

We have maintained our positive long-term outlook on Uranium prices based on the following factors.

- We believe increasing concerns about global warming and high oil prices will lead to increased demand for nuclear power plants going forward.
- According to the World Nuclear Association (WNA), global uranium requirements are estimated to grow at 2% per annum through 2030, based on a global nuclear generating capacity growth of 1.5% per annum.

- Demand for nuclear energy is expected to grow across the world, as several major nations, including UK, Russia, China, India and South Africa, are planning to increase their nuclear power consumption. According to the WNA, there are currently 439 operating nuclear reactors in the world. About 34 new reactors are under construction, and 93 have been proposed. China (35), India (16), Russia (15), S. Korea (8), USA (7), and Japan (13), combined, will account for 74% of the new nuclear reactors.

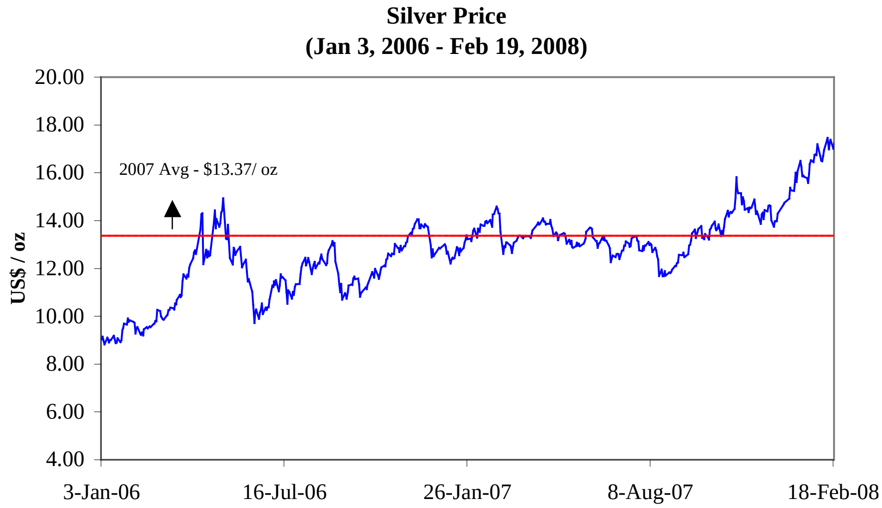
Although we do not expect a sharp increase in nuclear consumption worldwide in the short-term, the increase in nuclear generating capacity suggests that demand for uranium will increase in the long-term. Global consumption of uranium is about 180 million pounds a year versus production of about 100 million pounds; the deficit is filled up by stockpiles. Since stockpiles are not expected to last forever, uranium primary production has to significantly increase from current levels to keep up with demand in the long-term.

The top 12 uranium mines in the world represented 72.6% of global uranium production in 2006. The McArthur mine is the top producer, accounting for 18.3% of global production. Although production at the Cigar Lake mine (at full-scale production of 18 million lbs of U3O8 per year, this mine will account for more than 15% of current global production) is now expected to start only by 2011 – 12, additional supply from Kazhak (the world`s third-biggest uranium producer is expecting to increase uranium output fivefold within a decade and overtake Canada as the largest supplier of nuclear fuel), Canada and South Africa in 2009, we believe, will provide relief to the supply side of the market. Additional supply in the market is expected to come from Paladin's Langer Heinrich mine (which commenced production in late 2006) their project in Kayelekera in Malawi, Uranium One's Dominion Reefs mine and Rio Tinto’s Rossing. In addition to that, Kazakh producer Kazatomprom, recently announced that their shortage of sulphuric acid will be resolved by May 2008, while Uranium One announced that they have secured supplies of acid by investing in a Russian plant.

Forecasts: In the short-term, we believe that prices will be very sensitive to any development that could potentially affect supply. Although we do not expect prices to go higher from current levels in the short-term, we believe the supply-sensitive uranium market will keep the metal’s prices at current levels. Our long-term outlook on prices is positive, based on rising demand and the projected shortage in long-term supply.

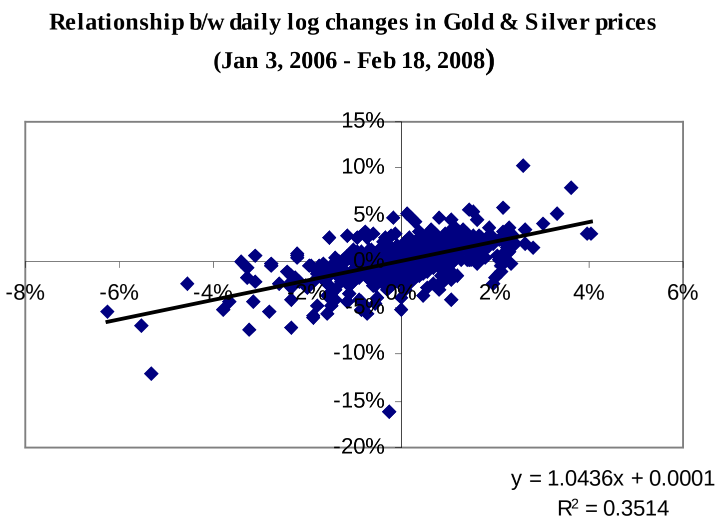
Outlook for Silver

The chart below shows silver prices since January 2006. As of February 19, 2008, silver was trading at US$17.25/oz, which reflects a YOY increase of 24.1%.



Source: KITCO

Although the supply and demand fundamentals of silver play a key role in setting prices, we continue to believe that silver prices will continue to follow gold going forward.



Our study shows that a statistically significant coefficient of correlation (0.59) and R^2 (35.1%) existed between daily log changes of gold and silver prices.

The chart above shows that silver prices have moved in tandem with gold prices in the past. An R^2 of 35%, implies that 35% of the daily log changes in silver prices are explained by daily log changes in gold prices.

Our outlook on silver is positive based on a forecasted depreciation in the U.S. dollar, higher inflationary expectations, relatively lower U.S. real interest rates (which might turn negative this year), and high oil prices. Also, we believe that strong investment demand for silver (as of February 15, 2008, iShares Silver Trust assets were 163.07 million oz, which reflects an increase of 677% since the introduction of the ETF in April 2006), amidst decreasing physical demand, will also help prices stay high. The average forecasts for silver prices are US$15.50/oz in 2008, and US$15.60/oz in 2009. We have continued to use a long-term silver price forecast of US$11/oz in our valuation models.

Financials

ASX is yet to release their FY2007 financial statements. At the end of August 2007, the company had cash and working capital of $28.00 million and $24.44 million, respectively. We estimate the company had a burn rate (cash spent on operating and investing activities) of $0.74 million per month in the first nine months of FY2007. Our discussions with management indicated that the company has about $23 million in cash (which means that their burn rate during September 2007 to February 2008 was almost in line with the nine month period ended August 2006) and a budget of at least $10 million in 2008. **We believe the company is in a strong cash position to fund its exploration activities and working capital for the next 12 months.**

Stock Options and Warrants: We estimate that the company now has 6.98 million warrants outstanding (all of them are currently 'out of the money') with a weighted average exercise price of $2.13. The company also has about 5.85 million options outstanding (0.2 million are 'in-the-money') with a weighted average exercise price of $0.70.

Valuation

As in our previous report, we believe the historic resource estimates of the tailings in the Eldorado-Contact Lake Property do not represent the true potential of the company. Therefore, we continue to value Alberta Star based on the average ratio of enterprise value (EV) to mineral assets (book value) of the company's peers. Although EV/mineral assets does not really capture the upside potential of a junior exploration company, we believe it is a good metric (and probably the only metric) to determine the fair value of a company possessing early stage exploration projects with no known resource estimates. The table below shows a list of the comparable companies and their EV/Mineral Assets ratio. All 10 comparables that we have included in this analysis primarily target uranium mineralization in North America.

Relative Valuation

		Symbol	Enterprise Value	Mineral Assets	EV / Min. Assets
1	Titan Uranium Inc.	TUE	22,343,356	63,780,691	0.35
2	Hathor Exploration Ltd.	HAT	22,507,358	37,780,204	0.60
4	Triex Minerals Corporation	TXM	22,079,339	18,361,214	1.20
3	Alberta Star Development Corp.	ASX	37,104,329	23,536,205	1.58
5	Uranium Power Corp.	UPC	26,216,566	11,313,122	2.32
6	Bayswater Uranium Corporation	BAY	48,929,946	18,167,376	2.69
7	Ur-Energy Inc.	URE	148,798,432	53,855,358	2.76
8	Energy Fuels Inc.	EFR	36,984,714	12,983,523	2.85
9	Western Uranium Corporation	WUC	54,466,729	14,389,058	3.79
10	Crosshair Exploration and Mining Corp.	CXX	114,945,153	21,035,523	5.46
11	Strathmore Minerals Corp.	STM	118,293,970	13,585,520	8.71
				Average	**2.94**
				Fair Value	**$0.78**

* Share prices are YTD average (up to February 14, 2008)
* Enterprise Value = Market Capitalization + Debt - Cash
* EV of ASX is adjusted to reflect the $10 million increase in mineral assets

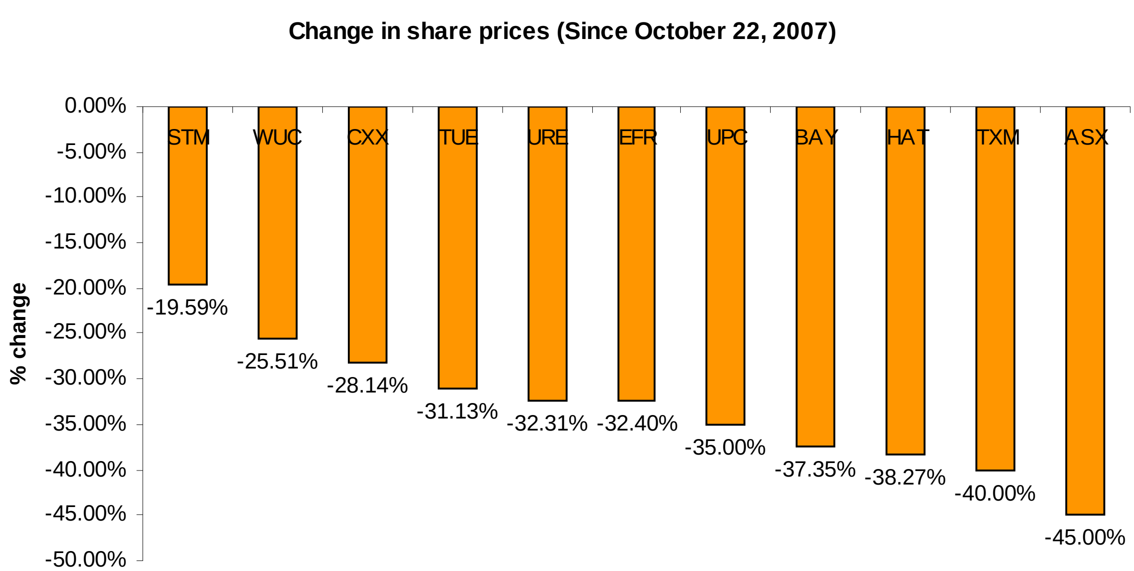
Please note the company's mineral assets contain the $10 million capital expenditure budget for 2008, and we have continued to discount the company's mineral assets by about 30% for the same reason as explained in our previous report (ASX has higher exploration costs compared to its peers due to the remote location, accessibility, and infrastructure of its projects).

As shown in the table, ASX is currently trading at a EV/Mineral Assets ratio of 1.15, while the average ratio of the comparables is 2.94 (down from 4.48). ASX is currently undervalued compared to 7 of the 10 peers that we have used in the analysis. Therefore, based on the average ratio of EV/Mineral Assets, we believe the fair value of the company is $0.78 per share.

Conclusions & Rating

We believe Alberta Star has established excellent community relations in the Great Bear Lake Region, which we believe is a strong credit to the company and reduces our concerns over operating in the NW Territories. According to management, the company plans to utilize their strong cash position (C$23 million) to acquire advanced stage projects and enter into strategic joint ventures, that due to current market conditions that prevent other companies from raising financing. The company will continue with aggressive exploration in 2008 on their large number of targets. The budget for this program is a minimum of C$10 million. We believe the company's potential for a large discovery is good with their large land package and the highly mineralized nature of the region.

The fundamentals of ASX have not changed since our last report, and our valuation is solely based on the comparable analysis with its peers. The share prices of Alberta Star and all of the peer companies that we have used in our analysis have dropped considerably since our initiating report due to the decline in Uranium prices. The chart below shows the change in share prices since October 22, 2007.



As shown in the chart, the share prices of all the 11 companies that we have used in our analysis have declined since October 22, 2007, with ASX being the top decliner with a 45% drop in share price (from $0.80 per share to $0.44 per share). As we expect uranium prices to stay at current levels for the rest of 2008, we believe that the average EV/mineral assets ratio will also stay at current levels.

Therefore, based on our valuation model and review of the company's progress since our previous report, we reiterate our BUY rating, but lower our fair value estimate from $1.19 per share to $0.78 per share.

Risks

The following risks, though not exhaustive, may cause our estimates to differ from actual results:

- The company has not defined any NI 43-101 compliant resource estimates and does not currently have any operating mines.
- The success of drilling, expansion and determination of favorable resource estimates are important long-term success factors for the company.
- The value of the company depends on commodity prices, primarily uranium prices.

We consider Alberta Star a high-risk investment opportunity as the company is still in its exploration stage and does not have any NI 43-101 compliant resource estimates. At this stage, we therefore rate the shares a **RISK of 5 (Highly Speculative)**.

Fundamental Research Corp. Equity Rating Scale:
Buy – Annual expected rate of return exceeds 12% or the expected return is commensurate with risk
Hold – Annual expected rate of return is between 5% and 12%
Sell – Annual expected rate of return is below 5% or the expected return is not commensurate with risk
Suspended or Rating N/A— Coverage and ratings suspended until more information can be obtained from the company regarding recent events.

Fundamental Research Corp. Risk Rating Scale:
1 (Low Risk) - The company operates in an industry where it has a strong position (for example a monopoly, high market share etc.) or operates in a regulated industry. The future outlook is stable or positive for the industry. The company generates positive free cash flow and has a history of profitability. The capital structure is conservative with little or no debt.

2 (Below Average Risk) - The company operates in an industry where the fundamentals and outlook are positive. The industry and company are relatively less sensitive to systematic risk than companies with a Risk Rating of 3. The company has a history of profitability and has demonstrated its ability to generate positive free cash flows (though current free cash flow may be negative due to capital investment). The company's capital structure is conservative with little to modest use of debt.

3 (Average Risk) - The company operates in an industry that has average sensitivity to systematic risk. The industry may be cyclical. Profits and cash flow are sensitive to economic factors although the company has demonstrated its ability to generate positive earnings and cash flow. Debt use is in line with industry averages, and coverage ratios are sufficient.

4 (Speculative) - The company has little or no history of generating earnings or cash flow. Debt use is higher. These companies may be in start-up mode or in a turnaround situation. These companies should be considered speculative.

5 (Highly Speculative) - The company has no history of generating earnings or cash flow. They may operate in a new industry with new, and unproven products. Products may be at the development stage, testing, or seeking regulatory approval. These companies may run into liquidity issues, and may rely on external funding. These stocks are considered highly speculative.

Disclaimers and Disclosure
The opinions expressed in this report are the true opinions of the analyst about this company and industry. Any "forward looking statements" are our best estimates and opinions based upon information that is publicly available and that we believe to be correct, but we have not independently verified with respect to truth or correctness. There is no guarantee that our forecasts will materialize. Actual results will likely vary. The analyst and Fundamental Research Corp. "FRC" does not own any shares of the subject company, does not make a market or offer shares for sale of the subject company, and does not have any investment banking business with the subject company. Fees of less than $30,000 have been paid by ASX to FRC. The purpose of the fee is to subsidize the high costs of research and monitoring. FRC takes steps to ensure independence including setting fees in advance and utilizing analysts who must abide by CFA Institute Code of Ethics and Standards of Professional Conduct. Additionally, analysts may not trade in any security under coverage. Our full editorial control of all research, timing of release of the reports, and release of liability for negative reports are protected contractually. To further ensure independence, ASX has agreed to a minimum coverage term including an initial report and three updates. Coverage can not be unilaterally terminated. Distribution procedure: our reports are distributed first to our web-based subscribers on the date shown on this report then made available to delayed access users through various other channels for a limited time. The performance of FRC's research is ranked by Investars. Full rankings and are available at www.investars.com.

The distribution of FRC's ratings are as follows: BUY (80%), HOLD (8%), SELL (4%), SUSPEND (8%).
To subscribe for real-time access to research, visit http://www.researchfrc.com/subscription.htm for subscription options.

This report contains "forward looking" statements. Forward-looking statements regarding the Company and/or stock's performance inherently involve risks and uncertainties that could cause actual results to differ from such forward-looking statements. Factors that would cause or contribute to such differences include, but are not limited to, continued acceptance of the Company's products/services in the marketplace; acceptance in the marketplace of the Company's new product lines/services; competitive factors; new product/service introductions by others; technological changes; dependence on suppliers; systematic market risks and other risks discussed in the Company's periodic report filings, including interim reports, annual reports, and annual information forms filed with the various securities regulators. By making these forward looking statements, Fundamental Research Corp. and the analyst/author of this report undertakes no obligation to update these statements for revisions or changes after the date of this report. A report initiating coverage will most often be updated quarterly while a report issuing a rating may have no further or less frequent updates because the subject company is likely to be in earlier stages where nothing material may occur quarter to quarter.
Fundamental Research Corp DOES NOT MAKE ANY WARRANTIES, EXPRESSED OR IMPLIED, AS TO RESULTS TO BE OBTAINED FROM USING THIS INFORMATION AND MAKES NO EXPRESS OR IMPLIED WARRANTIES OR FITNESS FOR A PARTICULAR USE. ANYONE USING THIS REPORT ASSUMES FULL RESPONSIBILITY FOR WHATEVER RESULTS THEY OBTAIN FROM WHATEVER USE THE INFORMATION WAS PUT TO. ALWAYS TALK TO YOUR FINANCIAL ADVISOR BEFORE YOU INVEST. WHETHER A STOCK SHOULD BE INCLUDED IN A PORTFOLIO DEPENDS ON ONE'S RISK TOLERANCE, OBJECTIVES, SITUATION, RETURN ON OTHER ASSETS, ETC. ONLY YOUR INVESTMENT ADVISOR WHO KNOWS YOUR UNIQUE CIRCUMSTANCES CAN MAKE A PROPER RECOMMENDATION AS TO THE MERIT OF ANY PARTICULAR SECURITY FOR INCLUSION IN YOUR PORTFOLIO. This REPORT is solely for informative purposes and is not a solicitation or an offer to buy or sell any security. It is not intended as being a complete description of the company, industry, securities or developments referred to in the material. Any forecasts contained in this report were independently prepared unless otherwise stated, and HAVE NOT BEEN endorsed by the Management of the company which is the subject of this report. Additional information is available upon request. THIS REPORT IS COPYRIGHT. YOU MAY NOT REDISTRIBUTE THIS REPORT WITHOUT OUR PERMISSION. Please give proper credit, including citing Fundamental Research Corp and/or the analyst, when quoting information from this report.

Fundamental Research Corp is registered with the British Columbia Securities Commission as a Securities Adviser which is not in any way an endorsement from the BCSC. The information contained in this report is intended to be viewed only in jurisdictions where it may be legally viewed and is not intended for use by any person or entity in any jurisdiction where such use would be contrary to local regulations or which would require any registration requirement within such jurisdiction.