

ANGLO-CANADIAN URANIUM CORP.

(\$0.11, URA: TSX-V)

Recommendation

Speculative Buy

Risk

High

Price (September 18)

\$0.11

52-Week Range

\$0.41-\$0.09

Target Price

1-Year: \$0.20 (Lowered)

Potential Return

1-Year: 1.8x

Shares O/S

41.83 million

Market Cap

\$4.6 million

Average Daily Volume

20-day: 58,826

150-day: 66,044

Year-End

July 31

C\$	BVPS	EPS
2007A	\$0.21	\$(0.03)
2008E	\$0.18	\$(0.04)
2009E	\$0.14	\$(0.04)

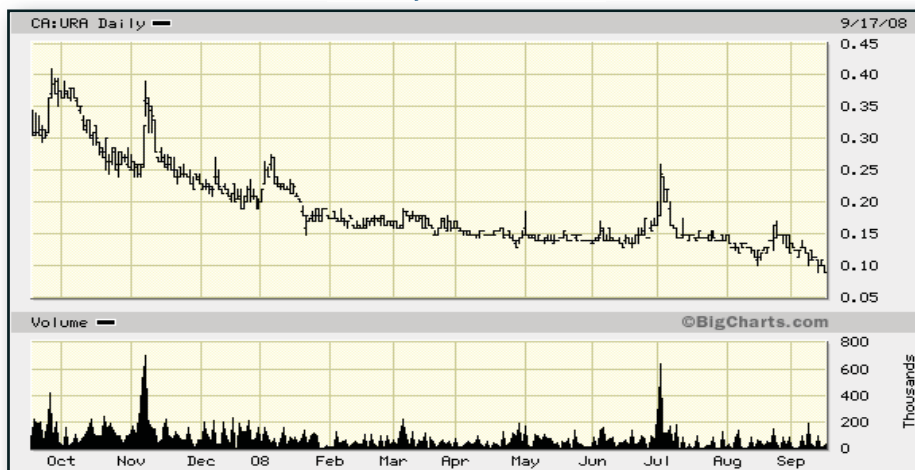
BVPS: Book Value Per Share

EPS: Earnings Per Share

Analysts

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Data Source: www.BigCharts.com

UPFRONT

The decline in the spot uranium price, combined with tightening equity and credit market has dampened investor interest in the uranium explorers. Anglo-Canadian's \$2.3 million in cash, and its option to divest gold properties, should allow the Company to continue its operating strategy and remain focused on uranium exploration.

RECOMMENDATION

We are maintaining our Speculative Buy rating but reducing the one-year Target Price to \$0.20 from \$0.35, reflecting the broad downturn in share prices for junior mining exploration companies and the general lack of investor interest in the sector. Looking ahead, the stock is recommended for longer-term investors who believe the drive for clean energy and low emissions is here to stay.

PROFILE

Anglo-Canadian Uranium Corp. ("Anglo-Canadian" or the "Company") is an early-stage exploration company, focused on uranium and gold resources. The Company's uranium properties are located in Quebec and the "Four Corners" region of the U.S., while its gold properties are in British Columbia.

HIGHLIGHTS

- \$2.3 million in cash along with a portfolio of 18 properties provides flexibility to continue exploration in this challenging environment.
- Upturn in spot uranium may revive prospects of joint development of Joseph property in Colorado with Denison Mines.
- Encouraging results on Stirrup property in B.C. may lead to a joint venture with an overseas company.
- Lean operations with controlled overhead expenses.
- Low geopolitical risk, as all properties and exploration activities are in North America.
- Lack of economic resource discovery is a key risk in the absence of NI 43-101 estimates.
- Equity financing risk for funding exploration and development activities over next few years.

CONTENTS

UPFRONT	1
RECOMMENDATION	1
PROFILE	1
HIGHLIGHTS	1
THE COMPANY	3
BACKGROUND	3
PROPERTIES SUMMARY	3
MANAGEMENT AND DIRECTORS	5
GEOLOGICAL ADVISORY TEAM	5
FINANCIAL REVIEW AND OUTLOOK	6
VALUATION	9



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THE COMPANY

Anglo-Canadian is an early-stage exploration company, with primarily gold and uranium resources. The Company owns five gold properties in British Columbia, and 13 uranium properties in Quebec and the “Four Corners” region of the U.S. The Four Corners comprise the area where four states - Colorado, Utah, New Mexico, and Arizona - meet.

BACKGROUND

Formerly known as Interactive Exploration Inc., the Company changed its name to Anglo-Canadian Uranium Corp. in August 2005. It is headquartered in Vancouver, British Columbia. The Company, and its wholly-owned subsidiary Anglo-Canadian Gold, are headed by Leonard Harris, who is the President and Chief Executive Officer. Anglo-Canadian Uranium’s shares are listed on the TSX Venture Exchange under the symbol URA. As shown below, insider ownership stands at approximately 5%.

Table 1: Insider Ownership

Name	Position	Shares Held or Controlled
Leonard Harris	President & Director	1,351,122
David Hudson	Director	71,957
James Turner	Director	-
Roger Laine	Director	7,500
		<u>1,430,579</u>
Exercisable options		865,000
Total		2,295,579
Shares Outstanding		41,834,874
Insider Ownership		5%

Source: Company Reports

PROPERTIES SUMMARY

Anglo-Canadian’s flagship properties are Eula Belle and Joseph in Colorado, and Big Mac in Quebec.

Table 2: Key Properties

Property	Type	Location	Comments
Eula Belle	Uranium	Colorado	Completion of 20,000-foot, 26-hole drill program in May 2008. Announced results in August 2008 with mineralization of 0.258% over 3.5 feet.
Joseph	Uranium	Colorado	Successfully completed agreement with Denison Mines (TSX:DML) to open portal and plugged air vent for access to two mines. One mine is operated by Anglo-Canadian.
Big Mac	Uranium	Quebec	115 line kilometres of line cutting and ground EM and magnetic survey completed. Airborne radiometric and mag survey are contracted and expected to begin in Q4/08.

Source: Company Reports and eResearch

Anglo-Canadian's activities are focused on exploration for uranium and gold on the Company's 18 properties. Several of its properties in the "Four Corners" region of the USA include past-producing mines, namely Eula Belle, Joseph, Tomcat, Lonestar, Wild Steer, and East Canyon Wash. Operations ceased at these former mines due to unfavourable economics in the mid-1980s, when uranium spot dropped below \$10/lb.

We believe the Company's most promising uranium claims are Eula Belle, Joseph and Big Mac.

Eula Belle

Anglo-Canadian announced the completion of the 26-hole drill program at Eula Belle in May 2008. The objective of the program was to test for mineralization in the existing two 25-hole cluster drill-outs. In August 2008, the Company announced results of the program, with the highest showing being 0.258% over 3.5 feet at a depth of approximately 750 feet (see our August 19, 2008 Bulletin, available at www.eresearch.ca).

COMMENT: *The present environment for uranium has changed drastically from the highs achieved in mid-2007 (\$138 versus the current \$64.50 per pound). In light of this, market demands for ore-grade mineralization have risen. The Company's reported results did not create the excitement they might have a year ago.*

Joseph

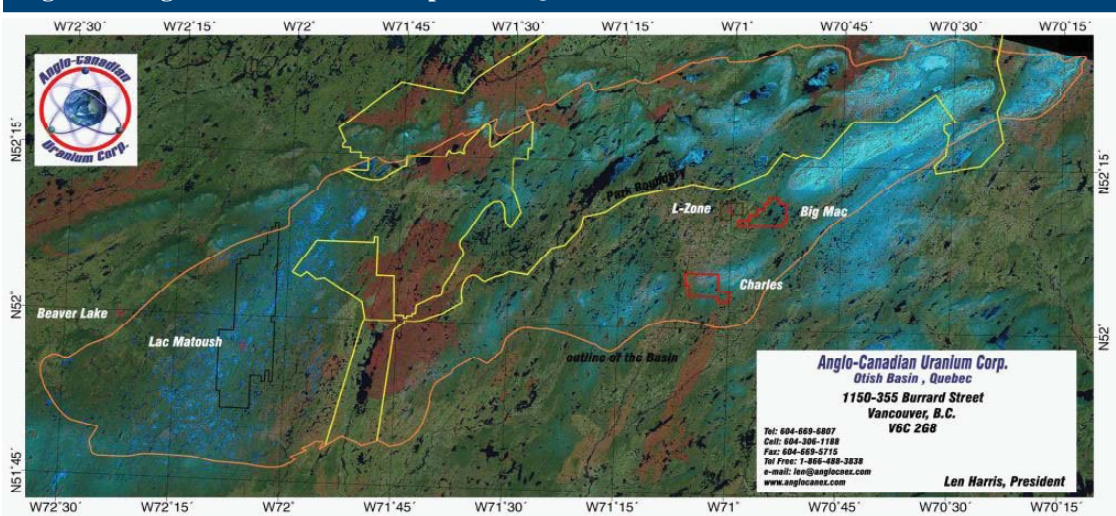
On the Joseph property, Anglo-Canadian reached an agreement with Denison Mines to open a portal and plugged air vent for access to two mines. While the prospect for joint development exists, in our view Denison Mines, like other developers, is re-assessing and scrutinizing the economics of each project. This in turn may defer the joint-development benefit to Anglo-Canadian.

Big Mac

In July 2007, 115 line kilometres of line cutting was completed on Big Mac. The Company has contracted with Precision GeoSurveys Inc. to conduct airborne radiometric and mag surveys. Following the completion of these, drilling can begin on the property.

COMMENT: *We had expected airborne radiometric and mag surveys to commence in spring 2008, but they are likely to begin in the fourth quarter of 2008. Drilling should commence in the first half of 2009.*

Figure 1: Big Mac And Charles Properties - Quebec



Source: Company Reports

In January 2008, Anglo-Canadian announced drill results from the Stirrup gold property in British Columbia. Although bulk tonnage was not demonstrated, a few narrow, higher-grade intercepts were encountered. The drilling occurred over an area of 8.7 hectares out of a total area of 495 hectares. Subsequently, the Company signed a Letter of Intent with Beijing Nonferrous Metals Exploration and Construction Co. Ltd. to form a joint venture for further exploration of the property, conditional on satisfactory findings.

For a detailed description of each property, see our January 15, 2008 Initiating Report (available at www.eresearch.ca).

MANAGEMENT AND DIRECTORS

Len Harris - President and CEO

As an entrepreneur, Len Harris has founded and developed a number of successful businesses in the natural resource sector. He began his career in the late 1960s in the brokerage industry with Hemsworth Turton & Co. To enhance his mining and geological knowledge, Mr. Harris completed the University of British Columbia's Prospectors Course.

David Hudson, CA - Director

David Hudson qualified as a chartered accountant with Peat Marwick Mitchell in Leeds, England in 1973 and as a Canadian chartered accountant with Touche Ross in 1979. Since 1982, Mr. Hudson has run his own accounting practice and served as a director of various public companies.

Jim Turner, P.Geo - Director

Jim Turner has extensive experience in the exploration of base metals. He has held management and geologist positions with Newmont, Noranda, and Terrasat Geometics Inc. His work has taken him to Panama, Ghana, Mali, and Brazil. Mr. Turner graduated in 1971 from the University of British Columbia.

John Nebocat, P.Eng - Director

John Nebocat was appointed a Director of the Company on June 20, 2008. He has 25 years' experience in earth science surveys and mineral exploration. Mr. Nebocat previously worked with Newmont Exploration, Peruvian Gold Limited, and Kookaburra Gold Corp.

GEOLOGICAL ADVISORY TEAM

Richard Garnett, Ph.D.

Richard Garnett has 45 years of mining experience. He has previously worked as Chief Geologist for Geevor Tin Mines and Associated Mines, as Senior Mining Engineer for Patino Mining, and as Regional Manager for Rio Tinto Zinc. In addition, Mr. Garnett has held management positions with Anglo American Corp. and DeBeers Group. He currently runs his own consulting practice, Valrik Enterprises.

N. Ralph Newson, P.Eng, P.Geo

Ralph Newson has 40 years of exploration experience. He was previously involved in uranium exploration for Brinex, a subsidiary of Rio Tinto. Mr. Newson is currently a director of the Prospectors and Developers Association of Canada. He runs his own consulting and contracting practice.

Norbert Jerome

Norbert Jerome has 44 years' experience, particularly in mining and developing uranium deposits in the Rocky Mountain uranium district of the U.S. He was Chief Geologist and Senior Project Geologist at Western Nuclear Corp for 16 years.

Roger Laine, Ph.D., P.Geo - Director

Roger Laine received his doctorate in geosciences from the University of Arizona. He has 14 years of uranium experience with Cogema, most notably as Vice President of Exploration with Amtok Inc., a Cogema subsidiary. Mr. Laine has worked in the Americas, West and Central Africa, Europe, and northern Saskatchewan.

RISKS

We believe the following risk factors could affect Anglo-Canadian.

Financing

Anglo-Canadian has not generated revenues since its inception and may not do so for at least the next two years. The Company will rely on its ability to raise funds through equity offerings on favourable terms. Without the injection of external capital, Anglo-Canadian's exploration and property-acquisition activities may be impacted or possibly halted.

Sensitivity to Uranium and Gold Prices

Operations at formerly-producing mines in Anglo-Canadian's portfolio were halted due to depressed uranium prices in the 1980s. Uranium prices continued to slide in the first half of 2008, and a further weakening may impact the Company's operations if the economics do not support exploration and production activity. The Company is less sensitive to gold prices, as it is further away from the production stage of the resource.

Timelines

The time frame for recovery of mineral resources from Anglo-Canadian's properties may be extended as a result of delays and other difficulties in securing permits, equipment, staff, and facilities for testing and ore-processing. In the past, the Company has slipped from its announced timelines because of these problems, which can be beyond its control.

Resource Discovery

As an early-stage exploration company, Anglo-Canadian does not have any NI 43-101 compliant resource estimates. There is the likelihood that the Company may not discover economic showings of mineral resources on its properties.

Environment

Increased environmental scrutiny and regulations may impact the Company's ability to secure permits in a cost-effective and timely fashion. Further, environmental concerns and public perceptions may render uranium a less desirable energy source.

Ownership of Properties

Titles to certain properties are subject to subsequent costs, which must be paid by the Company on anniversary dates of the acquisition. Anglo-Canadian may lose title to these properties if it fails to make subsequent payments.

FINANCIAL REVIEW AND OUTLOOK

F2006 (July 31) is a stub and first reporting year for Anglo-Canadian since its inception as a public company in August 2005.

Revenues: Anglo-Canadian is an early-stage exploration company, which has not recognized any revenues to date and may not do so through F2009. Net loss for the nine months ending April 30 was 14% higher in 2008 versus 2007, primarily due to the mineral property write-off of \$0.5 million.

Burn Rate: The average monthly burn rate, which includes non-discretionary expenses, is an

approximate \$61,000 in F2008E, compared to \$65,000 in F2007. We are forecasting about a 7% reduction in G & A expenses in F2008 compared to F2007.

Exploration and Acquisition Expenditure: We are forecasting a 37% year-over-year reduction in property expenditure from \$1.99 million in 2007 to \$1.25 million in 2008. The cutbacks will impact timelines for planned survey and drilling activity on properties.

Financing: Anglo-Canadian is expected to raise approximately \$350,000 through equity financing in 2008. This is far from our initial projection of approximately \$2.0 million. The deficit will be compensated for through cutbacks in exploration activity and G & A expenses. Spot uranium's slide from its peak has created a challenging equity-market environment for uranium explorers and developers. The latest financing, which raised \$0, (announced June 2008) was done at \$0.15 per share, and brought total shares outstanding to 41.8 million.

COMMENT: *The private placement announced in June 2008 was subsequently amended by lowering the issue price of each flow-through unit from \$0.20 to \$0.15 and increasing the number of units issued. As the Company relies on equity financing, continued share price weakness will have added dilutive effect.*

Capital Structure

Anglo-Canadian is 100% equity financed. In June 2008, the Company raised \$345,000 through a private placement by issuing 2.3 million flow-through units consisting of one common share and one-half share purchase warrant. The warrant is exercisable at \$0.25 for one year.

The Company has 41.8 million shares outstanding. Out of 3.16 million options (see Table 3), many had their exercise price revised downwards to \$0.20. We do not expect any warrants or options to be exercised over the next 12 months.

Table 3: Warrants And Options

1. Warrants

Number	Exercise Price	Expiry Date	Comment	Potential Equity
870,100	\$0.60	October 3, 2008	Out-of-theMoney	\$522,060
1,257,200	\$0.75	April 5, 2009	Out-of-theMoney	\$942,900
<u>1,918,000</u>	\$0.75	April 25, 2009	Out-of-theMoney	<u>\$1,438,500</u>
4,045,300				\$2,903,460

2. Options

Number	Exercise Price	Revised Exercise Price	Expiry Date	Comment	Potential Equity
25,000	\$0.16		March 15, 2010	Out-of-the-Money	\$4,000
250,000	\$0.37	\$0.20	November 1, 2010	Out-of-the-Money	\$50,000
397,500	\$0.40	\$0.20	February 23, 2011	Out-of-the-Money	\$79,500
100,000	\$0.58	\$0.20	March 23, 2011	Out-of-the-Money	\$20,000
160,000	\$0.61	\$0.20	April 12, 2011	Out-of-the-Money	\$32,000
270,000	\$0.38	\$0.20	August 2, 2011	Out-of-the-Money	\$54,000
325,000	\$0.24		August 22, 2011	Out-of-the-Money	\$78,000
600,000	\$0.24		December 20, 2011	Out-of-the-Money	\$144,000
270,000	\$0.51	\$0.20	February 12, 2012	Out-of-the-Money	\$54,000
580,000	\$0.54	\$0.20	June 20, 2012	Out-of-the-Money	\$116,000
<u>190,000</u>	\$0.28		September 24, 2012	Out-of-the-Money	<u>\$53,200</u>
3,167,500					\$684,700

Source: Company and eResearch

Table 4: Selected Financial Information

	Nine Months Ending April 30:		Year Ending July 31:			
	2007	2008	F2006	F2007	F2008E	F2009E
Statement of Income/(Loss):						
Operating Income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Non-Operating Income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
General & Administrative Expense	\$ (583,169)	\$ (506,794)	\$ (467,418)	\$ (783,844)	\$ (729,367)	\$ (720,000)
Amortization	\$ (1,380)	\$ (2,748)	\$ (1,834)	\$ (3,031)	\$ (3,664)	\$ (3,600)
Stock-based Compensation	\$ (548,241)	\$ (334,209)	\$ (230,392)	\$ (780,672)	\$ (427,034)	\$ (400,000)
Other Non-Cash Items	\$ -	\$ (451,319)	\$ 245,564	\$ 501,828	\$ (564,534)	\$ (550,000)
Other Income/(Expenses)	\$ 43,110	\$ 57,846	\$ 25,056	\$ 47,164	\$ 66,516	\$ 60,000
Net Income/(Loss)	\$ (1,089,680)	\$ (1,237,224)	\$ (429,024)	\$ (1,018,555)	\$ (1,658,083)	\$ (1,613,600)
Total Shares Outstanding	38,208,929	39,534,874	23,245,347	38,984,864	41,834,874	50,554,041
Weighted Average Shares Outstanding	32,760,162	39,429,401	18,761,426	34,466,629	39,600,000	46,000,000
Earnings (Loss) Per Share	(\$0.03)	(\$0.03)	(\$0.02)	(\$0.03)	(\$0.04)	(\$0.04)
Statement of Cash Flow:						
Net Income (Loss)	\$ (1,089,680)	\$ (1,237,224)	\$ (429,024)	\$ (1,018,555)	\$ (1,658,083)	\$ (1,613,600)
All Non-Cash Items	\$ 549,621	\$ 788,276	\$ (13,338)	\$ 281,875	\$ 995,232	\$ 953,600
Cash Flow from Operations	\$ (540,059)	\$ (448,948)	\$ (442,362)	\$ (736,680)	\$ (662,851)	\$ (660,000)
Capital Expenditures (Properties)	\$ (1,316,824)	\$ (1,291,309)	\$ (428,970)	\$ (1,992,002)	\$ (1,253,956)	\$ (1,200,000)
Other Investing Items	\$ (9,523)	\$ (61,570)	\$ (1,300)	\$ (9,524)	\$ (122,020)	\$ (120,000)
Free Cash Flow	\$ (1,866,406)	\$ (1,801,827)	\$ (872,632)	\$ (2,738,206)	\$ (2,038,827)	\$ (1,980,000)
Working Capital Changes	\$ 72,196	\$ 86,623	\$ (60,485)	\$ 173,934	\$ (70,346)	\$ (70,000)
Equity Financing	\$ 4,912,570	\$ 3,863	\$ 1,816,066	\$ 5,714,700	\$ 350,725	\$ 1,000,000
Debt Financing	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Change in Cash	\$ 3,118,360	\$ (1,711,341)	\$ 882,949	\$ 3,150,428	\$ (1,758,448)	\$ (1,050,000)
Cash, Beginning of the Period	\$ 919,635	\$ 4,070,063	\$ 36,687	\$ 919,636	\$ 4,070,064	\$ 2,311,616
Cash, End of the Period	\$ 4,037,995	\$ 2,358,722	\$ 919,636	\$ 4,070,064	\$ 2,311,616	\$ 1,261,616
	As at April 30:		As at July 31:			
	2007	2008	F2006	F2007	F2008E	
Balance Sheet:						
Cash	\$ 4,037,995	\$ 2,358,722	\$ 919,636	\$ 4,070,064	\$ 2,311,616	\$ 1,261,616
Other Current Assets	\$ 472,383	\$ 8,045	\$ 32,651	\$ 116,816	\$ 10,000	\$ 10,000
Mineral Properties	\$ 3,425,055	\$ 5,027,493	\$ 1,142,631	\$ 4,207,181	\$ 5,150,000	\$ 6,000,000
Other Assets	\$ 15,092	\$ 74,763	\$ 6,949	\$ 13,442	\$ 70,000	\$ 60,000
Total Assets	\$ 7,950,525	\$ 7,469,023	\$ 2,101,866	\$ 8,407,503	\$ 7,555,834	\$ 7,331,616
Current Liabilities	\$ 164,810	\$ 127,500	\$ 135,880	\$ 295,980	\$ 101,500	\$ 100,000
Other Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Debt Obligations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Liabilities	\$ 164,810	\$ 127,500	\$ 135,880	\$ 295,980	\$ 101,500	\$ 100,000
Shareholders' Equity	\$ 7,785,715	\$ 7,341,523	\$ 1,965,986	\$ 8,111,523	\$ 7,454,334	\$ 7,231,616
Total Liabilities & Equity	\$ 7,950,525	\$ 7,469,023	\$ 2,101,866	\$ 8,407,503	\$ 7,555,834	\$ 7,331,616
Book Value (S.E.) Per Share	\$0.20	\$0.19	\$0.08	\$0.21	\$0.18	\$0.14

Source: Company Reports and eResearch

COMMENT: We expect G & A expenses to drop 7% year-over-year to approximately \$729,000 in F2008, with little room for further reductions. With cash at \$2.3 million and an average monthly burn rate of \$61,000, the Company will have to scale back exploration activity further or divest properties if the capital market for raising equity for junior exploration companies does not improve. In our view, divestiture of gold properties should be considered to allow the Company to focus on uranium development and cost containment. In F2009, we expect Anglo-Canadian to raise \$1.0 million in equity financing to maintain an adequate cash reserve.

VALUATION

We have valued Anglo-Canadian by comparing it to its peers, using two methodologies:

1. Price-to-Book Ratio; and
2. Mineral Property Ratio.

Our selection of Anglo-Canadian's comparables includes early-stage exploration companies with uranium projects in the Otish Mountains in Quebec or the Four Corners region of the U.S.A.

With the price of commodities, including uranium, having experienced significant declines, we are revising downwards our valuation parameters for all resource stocks. However, for uranium companies, two political factors stand out as providing impetus for adopting a positive outlook: (1) the Canadian Government has proposed allowing non-Canadian entities to acquire a majority ownership position of Canadian uranium companies, subject to approval under specific restrictions; and (2) the up-coming presidential nominees are both supporting exploration of alternative energy, and one of the candidates advocates increasing nuclear energy by proposing that 26 additional reactors be built in the U.S.A.

A. Price-to-Book

Table 5 below shows the assorted book values per share and accompanying P/B ratios for the peer companies as well as Anglo-Canadian. All selected companies are listed on the TSX Venture Exchange, with the exception of Energy Fuels which is listed on the TSX.

Based on current share prices, the peers are trading at an average P/B ratio of 0.6x compared to Anglo-Canadian at 0.5x.

Table 5: Book Value Peer Comparison

(All figures in millions except Price)

Company	Symbol	Price	52-week Price		% Change from High	Shares Outstanding	Market Capitalization	Book Value per Share	P/B Ratio
			High	Low					
Ditem Explorations	DIT-V	\$0.18	\$1.23	\$0.21	-85%	45.3	\$8.1	\$0.24	0.8x
Energy Fuels	EFR-T	\$0.55	\$2.48	\$0.52	-78%	52.6	\$28.9	\$0.66	0.8x
Nova Uranium	NUC-V	\$0.08	\$0.37	\$0.09	-78%	26.3	\$2.1	\$0.26	0.3x
Universal Uranium	UUL-V	\$0.11	\$0.90	\$0.13	-88%	44.7	\$4.9	\$0.26	0.4x
Western Uranium	WUC-V	\$0.80	\$2.89	\$0.75	-72%	59.4	\$47.5	\$1.19	0.7x
Average					-80%				0.6x
Anglo-Canadian Uranium	URA-V	\$0.11	\$0.41	\$0.10	-73%	39.5	\$4.3	\$0.21	0.5x

Source: eResearch

COMMENT: Since our January 15, 2008 Initiating Report, the average P/B ratio for the comparable group has dropped from 1.8x (excluding Lexam Explorations) to 0.6x, symbolizing an across-the-board correction for uranium explorers. Note that we have dropped Lexam Explorations from our group of comparables.

In line with the recent pullback in uranium prices, we are revising downwards our target P/B ratio from 1.7x to 1.0x to arrive at an intrinsic value of \$0.21 per share.

B. Mineral Property Ratio

Given the lack of NI 43-101 compliant and in-situ estimates, we used the mineral property ratio to value Anglo-Canadian's shares (see Table 6 below). This methodology determines the ratio that investors are placing on Anglo-Canadian's mineral properties and compares that ratio with the peer-group average.

Table 6: Property Ratio Peer Comparison (C\$)

	Anglo-Canadian Uranium URA: TSX-V April-08	Ditem Explorations DIT: TSX-V June-08	Energy Fuels EFR: TSX June-08	Nova Uranium NUC: TSX-V March-08	Universal Uranium UUL: TSX-V June-08	Western Uranium WUC: TSX-V June-08
Corporate:						
Share Price (Sept 16, 2008)	\$0.11	\$0.18	\$0.55	\$0.08	\$0.11	\$0.80
Shares O/S	39,534,874	45,253,085	52,604,402	26,322,631	44,656,291	59,371,834
Market Cap	\$4,348,836	\$8,145,555	\$28,932,421	\$2,105,810	\$4,912,192	\$47,497,467
Mineral Properties:						
Book Value (Cost)	\$5,027,493	\$7,580,377	\$20,085,244	\$5,570,223	\$10,766,457	\$19,922,525
Market Value	\$1,955,380	\$4,408,837	\$12,062,545	\$652,268	\$3,362,658	(\$4,046,689)
Difference	(\$3,072,113)	(\$3,171,540)	(\$8,022,699)	(\$4,917,955)	(\$7,403,799)	(\$23,969,214)
Property Ratio	0.39	0.58	0.60	0.12	0.31	-0.20
Average Ratio (Peers)	0.28					
Adjusted Book Value (Cost)	1	\$6,227,493				
Adjusted Property Ratio		0.31				
Selected Ratio		1.00				
Common Equity (Per Statements)		\$7,341,523				
Adjusted Common Equity (Selected Ratio)	1	\$8,541,523				
Equity Per Share (Per Statements)		\$0.19				
Adjusted Equity Per Share (Selected Ratio)	1	\$0.19				

Note 1: Mineral Properties, Shareholders' Equity, and Shares Outstanding are adjusted for estimated capex of \$1,200,000 over the next 12 months.

Source: eResearch

Anglo-Canadian's current Mineral Property ratio is 0.39x compared to the peer group average of 0.28x. We then applied an adjustment to Anglo-Canadian's Mineral Properties to reflect the expected \$1.2 million capex to be spent on these properties over the next 12 months. This derives an adjusted current Mineral Property ratio of 0.31x. At the time of our Initiating Report, Anglo-Canadian's Property Ratio was 1.10x versus the peer group average of 3.57x (excluding Lexam Explorations). Over the trailing quarter, market sentiment has shifted against junior uranium explorers and Property Ratios have dropped to 0.39x for Anglo-Canadian and 0.28x for the peer group. As such, we have revised down our Selected Ratio from 2.0x to 1.0x, which provides an intrinsic value of \$0.19. We believe shares of junior mining companies will recover from their current lows when investor sentiment returns.

Conclusion

In light of tight equity markets, particularly for uranium explorers, we believe Anglo-Canadian will limit its exploration activities over the next 12-months to contain costs. This in turn will shift out proposed timelines on the Company's key projects of Eula Belle, Joseph and Big Mac. The Company may choose to raise funds through divestiture of gold properties so that it can focus on uranium exploration.

We are reducing our one-year Target Price to \$0.20 from \$0.35, to reflect the dramatic downturn in share prices of explorers and producers. We consider the looming presidential election in November as a possible catalyst to boost spot uranium prices and lift valuations from their current levels of 0.6x (Price-to-Book) and 0.28x (Mineral Property Ratio) to 1.0x in each case. This would translate into 82% upside for Anglo-Canadian from current levels. As such, we are maintaining our Speculative Buy rating.

ANALYST CERTIFICATION

Each Research Analyst who was involved in the preparation of this Research Report hereby certifies that: (1) the views, opinions, and recommendations expressed in this Research Report reflect accurately the Research Analyst's personal views concerning any and all securities and issuers that are discussed herein and are the subject matter of this Research Report; and (2) the fees, earnings, or compensation, in any form, payable to the Research Analyst, is not and will not, directly or indirectly, be related to the specific views, opinions, and recommendations expressed by the Research Analyst in this Research Report.

eResearch analysts on this report: Asim Bukhtiar, B.Sc.(Chem. Eng.), MBA, CFA: Asim Bukhtiar has over 10 years of business consulting and research analysis experience. Previously, he was Associate Equity Analyst with Raymond James covering the software and IT services sector. At CIBC, he worked in a business consulting role providing process re-engineering and project leadership expertise. At FMC, he was responsible for the development of institutional trading and portfolio modeling systems for global money management firms.

Bob Weir, B. Comm, B.Sc., CFA. Bob Weir has 42 years of investment research and analytical experience in both the equity and fixed-income sectors, and in the commercial real estate industry. He was at Dominion Bond Rating Service (DBRS) from 1994 to 2001, latterly as Executive Vice-President responsible for conducting the day-to-day management affairs of the company. He joined eResearch in 2004.

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Strong Buy:	Expected total return within the next 12 months is at least 40%.
Buy:	Expected total return within the next 12 months is between 10% and 40%.
Speculative Buy:	Expected total return within the next 12 months is substantial, but Risk is High (see below).
Hold:	Expected total return within the next 12 months is between 0% and 10%.
Sell:	Expected total return within the next 12 months is negative.

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Low Risk:	<i>Financial</i> - Strong revenue growth and earnings over several years, stronger than average balance sheet, strong positive free cash flows, above average working capital solvency, company may pay (and stock may yield) substantial dividends or company may actively buy back stock. <i>Operational</i> - Dominant player in its market, below average cost structure, company may be a consolidator, company may have a leading market/technology position.

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