Update Report October 8, 2009

MACUSANI YELLOWCAKE INC.

($0.27; TSX-V: YEL)

Recommendation
Speculative Buy

Risk
High

Price (October 7, 2009)
$0.27

52-Week Range
$0.45 - $0.10

Target Price
One Year: $0.75
Two Year: $2.00

Shares O/S
41.73 million

Market Cap
$11.3 million

Average Daily Volume
50-day: 23,100
200-day: 29,600

Year-End
September 30

Salient Statistics

Book Value Per Share	$0.20
Price/Book Value	1.3x
Properties Per Share	$0.16
Cash (Est.) (mill)	$1.4M
Cash Per Share	$0.03
Monthly "Burn" (Est.)	$80,000

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UPFRONT

After a lot of hype a few years ago concerning the proliferation of nuclear power-generating plants, the perceived shortage of uranium to meet the inevitable increased demand sent the price of uranium sky-rocketing. The price has subsequently collapsed: too high on the upside, and now too low on the downside. Once the price stabilizes, we expect it to begin a meaningful recovery. With a buoyant long-term future, uranium stocks are cheap and bargains abound. Macusani Yellowcake is one of them.

RECOMMENDATION

We recommend the shares of Macusani Yellowcake Inc. ("Macusani" or the "Company") as a speculative Buy to risk-tolerant investors for participation in the expected long-term recovery of the uranium industry.

PROFILE

Macusani is a junior Canadian mining company with three major uranium resources in Puno District in south-eastern Peru, plus over 12 unexplored anomalies on its properties. Macusani's top four anomalies could contain between 40 and 50 million lbs of uranium resources.

HIGHLIGHTS

- NI 43-101 resource estimate for Anomaly 1 indicates over 14 million lbs of uranium resources. A preliminary economic assessment (PEA) study is currently being prepared by GBM Consulting and its completion is expected in November 2009.
- The acquisitions of Corachapi (Anomaly 3) and Kihitian (Anomaly 4) in June 2009 potentially increase the size of mineral resources, which could be over 20 million lbs of uranium. NI 43-101 resource reports for Corachapi and Kihitian are expected to be completed in November 2009.
- Good financing capability and adequate liquidity with approximately $1.4 million in cash while the monthly cash burn rate is $80,000 (about $1 million annually).

THE COMPANY

Macusani Yellowcake Inc. is an Ontario corporation formed by amalgamation on October 31, 2007. Its common shares began trading on the TSX Venture Exchange on November 13, 2007.

The Company owns numerous mineral property claims, known as the Macusani Project, which cover over 22,000 hectares in the Macusani Uranium District in Puno Province in south-eastern Peru.

INVESTMENT CONSIDERATIONS

Strengths

- The Company has obtained a NI 43-101 resource estimate for Anomaly 1 with over 1.62 million lbs of uranium resource (Indicated) and 12.95 million lbs of Inferred. This is a significant development from the time of our April 2008 Initiating Report. In addition, the PEA study is expected to be completed in November 2009. The study is expected to show that Anomaly 1 could feature low cost production (total cost per pound is expected to be $23-$25).

- The Company anticipates receiving a NI 43-101 resource estimate for both Anomaly 3 and Anomaly 4 in November 2009. These two anomalies could contain over 20 million lbs of uranium resource. With the additional drilling on Anomaly 2, the Company expects to obtain a resource estimates on it within the next 12 months. The total uranium resource at the Macusani Project is expected to be between 40 million and 50 million lbs.

- The acquisitions of Corachapi and Kihitian in June 2009 not only increase the size of potential mineral resources (expected to be over 40%), but also demonstrate the skills and experience of management led by Mr. Peter Hooper. In our view, management has shown its ability in two significant ways: (1) It has enhanced the value of the properties with good acquisitions, exploration and development; and (2) It has shown management's ability to obtain financing during difficult economic conditions and to manage prudently the cash cost of the operations.

- The long-term outlook for uranium prices remains positive with demand expected to outpace supply due to a strong increase in demand for nuclear energy power generators. Currently, consumption is about 180 million lbs per year. It is expected to increase to 212 million lbs per year by 2013 (reported by the International Atomic Energy Association 'IAEA') while supply is currently at 115 million lbs. The current spot price is US$43.50/lb (The Ux Consulting Company, October 5, 2009) but the long-term contract price remains at US$64/lb. Even at the current spot price, we believe Macusani could still be profitable because of its open pit mines that yield relatively low operating costs.

Challenges

- The Company has obtained a NI 43-101 resource estimate for Anomaly 1 and is expected to have an estimate for both Anomaly 3 and 4 in November 2009. To date, there are no reported drilling results on Anomaly 2. Any adverse drilling results on Anomaly 2 could have a negative impact on the stock price.

- Capital expenditures (Capex) to bring Anomaly 1 into production are expected to be at least $80 million. Financing this project is a challenge since financial markets remains difficult for junior mining companies, reflecting a still tight credit market and the avoidance of high-risk investment by investors. However, should the outcome of the estimates for Anomaly 3 and 4 be as expected and the PEA study be favourable, the Company should be able to obtain sufficient funds to bring Anomaly 1 to the pre-feasibility stage. (Two development companies have expressed interest in financing the Anomaly 1 project.)

- Future profitability, hence the ability to finance its projects is, in part, affected by the spot price of uranium. Long-term contract prices are often based on the spot price. Equity investors and debt creditors also use the spot price as part of their investment strategy. The current spot price is relatively low, at US$43.50/lb, compared to its peak at US$137/lb in summer 2007. Should the spot price continue to decline, it might cast a black cloud on the industry's ability to obtain financing. Of more importance is the long-term producer price, at which transactions are actually conducted; the current contract price is US$64/lb. and has been fairly stable around these levels.

VALUATION

(1) Peer Comparison: Property Ratio Approach

*e*Research has used the peer comparison method to derive an intrinsic value for Macusani. We have chosen junior mining companies which are mainly focused on uranium. They are in the early stage of production and have not generated any revenues. In assessing the value of Macusani's property, we have made the following assumptions and adjustments to make it better comparable to its peers:

1. Adjustment for substantial cash on the balance sheet and well-executed financing strategy over the next 12 months;
2. Adjustment for book value of the properties based on actual and expected capital expenditures;
3. Adjustment for risk levels associated with different qualities of the properties and location;
4. The price of uranium stays within US$65-$70 per pound over the next three years, as the demand for cleaner energy, such as nuclear power, is expected to increase with more advanced technology; and
5. Investors recognize the Company's potential.

Forum Uranium Corp.: is a junior exploration mineral company with a focus on uranium projects. The company has a 100% interest in over 190,000 hectares of uranium exploration properties, a 65% operating interest in the Costigan Lake Joint Venture with partner NVI Mining (Breakwater Resources) and a 50% operating interest in the Haultain River Joint Venture with partner Hathor Exploration in the prolific Athabasca Basin, Saskatchewan.

Pitchstone Exploration Ltd.: is a junior exploration mineral company with a focus on uranium projects. The company owns 50% (5 properties in the Athabasca Basin region) to 100% interests in the mineral rights to more than 200,000 hectares of land situated in the eastern Athabasca Basin, Saskatchewan and in the Hornby Bay Basin, Nunavut and Northwest Territories.

Solex Resources Ltd.: Solex and its 50% joint-venture partner Frontier Pacific Mining are exploring adjacent properties at Macusani East, where they undertook a 24,000-metre drilling program and have completed an NI 43-101-compliant resource calculation.

Uracan Resources Ltd.: is a junior exploration and development company and holds an option to purchase a 100% interest in various uranium properties located in Quebec. The company also holds interests in the Pipewrench Lake and Narrows Lake properties, covering approximately 2,056 hectares located approximately 130 kilometres northwest of La Ronge, Saskatchewan.

Wealth Minerals Ltd.: Wealth Minerals has uranium exploration projects in Argentina, Peru, and Canada. Exploration results from its active project at Diamante-Los Patos property ("DLP"), located in the Provinces of Salta and Catamarca in northwest Argentina, show low-grade uranium mineralization ranging from 0.20 to 0.55 lbs./tonne, which is lower than the highest Macusani samples.

Property Valuation Table

Table 1: Corporate Comparison	(All values in thousands except per share and the ratio value)					
(C$1 = US$1)	**Macusani Yellowcake YEL: TSX-V**	**Forum Uranium FDC:TSX-V**	**Pitchstone Exploration PXP: TSX-V**	**Solex Resources SOX: TSX-V**	**Uracan Resources URC: TSX-V**	**Wealth Minerals WML: TSX**
Financial Statement Date:	June-09	May-09	June-09	March-09	April-09	May-09
Corporate:						
Share Price (Oct. 7, 2009)	C$ 0.27	C$ 0.08	C$ 0.46	C$ 0.12	C$ 0.21	C$ 0.65
Shares O/S	41,731	88,899	34,970	69,450	91,270	29,917
Market Cap	C$ 11.3	C$ 7.1	C$ 16.1	C$ 8.3	C$ 19.2	C$ 19.4
Mineral Properties:						
Book Value (Cost) (1)	C$ 6,680	C$ 13,688	C$ 25,137	C$ 13,410	C$ 24,029	C$ 12,668
Market Value	C$ 9,201	C$ 5,337	C$ 16,587	C$ 6,883	C$ 18,779	C$ 19,018
Difference	C$ 2,521	-C$ 8,351	-C$ 8,551	-C$ 6,526	-C$ 5,250	C$ 6,350
Property Ratio	1.38	0.39	0.66	0.51	0.78	1.50
Peer Average	0.77					
Adjusted Book Value (Cost)(1)	C$ 8,079					
Adjusted Property Ratio	1.56					
Selected Ratio	3.00					
Common Equity (Per Statements)	C$ 8,184					
Adjusted Common Equity (Selected Ratio)(2)	C$ 22,343					
Equity Per Share (Per Statements)	C$ 0.20					
Adjusted Equity Per Share (Selected Ratio) (3)	**C$ 0.45**					

Note 1: Book Value of Mineral Properties is adjusted for expected capex over the next 12 months.
Note 2: Shareholders' Equity is adjusted for additional equity (estimate) issued to finance capital expenditures over the next 12 months.
Note 3: Adjusted Equity Per Share is calculated on shares O/S (March, 2009) and estimated new shares issued over the next 12 months.

Source: *e* Research

Analysis

The comparison table above shows that Macusani's Mineral Property Ratio is 1.38x (2.30x at the time of our Initiating report), which is above the peer group average of 0.77x (1.72x at the time of our Initiating report)). The decline of the ratios reflects the following factors:

- Significant decline in total market capitalizations for all companies due to the financial market crisis and the global economy recession in the later part of 2008 and the early part of 2009.
- During this period, total market capitalization for all of the companies collectively declined from $143 million to $74 million (lost half of the value) while book property value increased to $96 million from $58 million.

Macusani has the highest property ratio reflecting the fact that it is the only one of the three companies in the group (Wealth and Pitchstone are the other) that has obtained a NI 43-101 resource estimate. Wealth has a resource estimate of approximately 40 million lbs of uranium resources, but it is all Inferred and at a lower grade. Pitchstone has only 4.1 million lbs and is only NI 43-101 compatible.

In our Initiating Report, we chose a Selected Ratio of 3.70x for Macusani. This time, to reflect more adverse operating conditions, we are choosing a Selected Ratio of 3.00x, which is higher than the Company's current property ratio of 1.38x. We believe our choice is justified due to the following:

- The Company has currently obtained a NI 43-101 resource estimate on Anomaly 1 and is expected to obtain resource estimates for both Anomaly 3 and Anomaly 4 in November 2009.
- A resource estimate is expected to be achieved for Anomaly 2 after moderate capital expenditures.
- The PEA study on Anomaly 1 is expected to be completed in November 2009.

The Selected Ratio derives an intrinsic value of $0.45 for Macusani.

(2) Peer Comparison: Enterprise-to-Resource Value (EV/R Value)

The second methodology for our valuation of the Company is the EV/R Value.

This measures the enterprise value of the company per pound of uranium resources (we ignore the grade but take grades into account when we compare amongst companies). We cannot use the same companies as in the Property Approach. In this methodology, we select companies that have uranium resources or reserves and are at different stages.

We obtain the estimate size of the resources of companies in our peer group in accordance with the NI 43-101 compliant calculation. For Macusani, we use 40 million pounds of uranium resources. Our estimate is based on the assumption that the Anomaly 2 and 4 would give a similar size of resources as contained in Anomaly 1 and 3, based on similar geological characteristics and size of these anomalies.

Table 2: Enterprise Value and Resources Data

(As of October 7, 2009) **Company**	**Stock Symbol**	**Stock Price**	**Shares O/S (M)**	**Market Cap (M)**	**EV (M)**	**U3O8 M of lbs**	**Grade %**	**EV/R Value**
Major Producers								
Cameco Corporation	CCO	$30.20	392.1	$11,840	$12,300	495	na	**$24.85**
Paladin Energy Ltd.	PDN	$4.33	717.1	$3,105	$3,498	193	0.06-0.15	**$18.11**
Near Production								
UEX Corp	UEX	$1.25	181.6	$227	$207	45	0.02	**$4.58**
Mega Uranium Ltd.	MGA	$0.95	226.3	$215	$191	49	0.12	**$3.93**
Uranerz Energy Corp.	URZ	$2.30	55.5	$128	$110	14	0.109	**$7.62**
Advanced Juniors								
Bayswater	BAY	$0.12	160.8	$19	$14	16	na	**$0.92**
Pitchstone	PXP	$0.46	35.0	$16	$10	4	0.23	**$2.39**
Macusani Yellowcake Inc.	YEL	$0.27	41.7	$11	$11	40	na	**$0.28**

Source: Company and *e*Research

Analysis

- CCO and PDN have the highest values, reflecting that these companies are in production. COO has the highest grade (reserves and probable categories). We do not expect the Company to achieve this status within the next 3 years.
- Companies in the Near-Production Group either are in or close to the feasibility stage. They are well-financed and are expected to be in production within the next 24-36 months. We are of the view that if the Company obtains a positive PEA study for Anomaly 1, and if resource estimates for Anomaly 3 and 4 are obtained as expected, Macusani could be in the near-production stage by the end of 2011. At that point, we would expect the Company's EV/R Value to approach $3.00-$4.00.
- Companies in the Advanced Junior Group are in the same stage of exploration as Macusani. However, the Company's value of $0.28 assumes that resource estimates for all four anomalies could be achieved as expected within the next 12 months. As a result, we would expect Macusani's value would begin to catch up with these two companies by the fall of 2010. Thus, Macusani's shares could approach $1.50-$1.65, which is around the current mid-point of the two Advanced Junior Group companies.
- The table shows that some of the companies are selling at well below their EV/R Value.
- The shares of Macusani are selling close to its EV/R Value. Given the Company's immediate prospects, we envisage a re-evaluation of the shares in the market. Using the EV/R Value of Bayswater Uranium Corporation ($0.92) as the benchmark, Macusani's shares could move towards the $1.00 mark.

Sensitivity Analysis

We present three scenarios as follows:

- **Scenario 1 (conservative):** We take the EV/R Value of $1.00 and show how the stock price of the Company behaves with different sizes of uranium resources. This scenario could be achieved by the end of 2009 (after the PEA study is done and the resource estimates for Anomaly 3 and 4 are completed)
- **Scenario 2 (base case):** We take the EV/R Value of $1.50 and show how the stock price of the Company behaves with different sizes of uranium resources. This scenario is likely to be achieved by the end of the next 12 months.
- **Scenario 3 (aggressive):** We take the EV/R Value of $3.00 and show how the stock price of the Company behaves with different sizes of uranium resources. This scenario could be achieved over the next 24 months (assuming the Company is well financed and moves into the pre-feasibility stage for at least Anomaly 1).

Table 3: Sensitivity Scenarios

Scenario 1: Conservative

Macusani Yellowcake Inc. *Scenario Analysis*	**U3O8 M (lbs)**	**EV/R Value**	**Market Cap (M)**	**NPV r =10%**	**Shares O/S (M)**	**Stock Price**
Anomaly 1 only	10	1.00	10.0	9.62	50	0.19
Anomaly 1 and 3	20	1.00	20.0	19.23	50	0.38
Anomaly 1, 3 and 4	30	1.00	30.0	28.85	50	0.58
All four Anomalies Min	40	1.00	40.0	38.46	50	0.77
All four Anomalies Max	50	1.00	50.0	48.08	50	0.96

Scenario 2: Base Case

Macusani Yellowcake Inc. *Scenario Analysis*	**U3O8 M (lbs)**	**EV/R Value**	**Market Cap (M)**	**NPV r =10%**	**Shares O/S (M)**	**Stock Price**
Anomaly 1 only	10	1.50	15.0	13.64	50	0.27
Anomaly 1 and 3	20	1.50	30.0	27.27	50	0.55
Anomaly 1, 3 and 4	30	1.50	45.0	40.91	50	0.82
All four Anomalies Min	40	1.50	60.0	54.55	50	1.09
All four Anomalies Max	50	1.50	75.0	68.18	50	1.36

Scenario 3: Aggressive

Macusani Yellowcake Inc. *Scenario Analysis*	**U3O8 M (lbs)**	**EV/R Value**	**Market Cap (M)**	**NPV r =10%**	**Shares O/S (M)**	**Stock Price**
Anomaly 1 only	10	3.00	30.0	24.79	50	0.50
Anomaly 1 and 3	20	3.00	60.0	49.59	50	0.99
Anomaly 1, 3 and 4	30	3.00	90.0	74.38	50	1.49
All four Anomalies Min	40	3.00	120.0	99.17	50	1.98
All four Anomalies Max	50	3.00	150.0	123.97	50	2.48

Source: *e*Research

3. Valuation Conclusion

- The Property Ratio valuation method resulted in an intrinsic value of $0.45 per share. The Enterprise-to-Resource Value method resulted in an intrinsic value of $0.92 per share.

- Our 12-month Target Price is $0.75 per share, which gives consideration to the EV/R value of $1.09 per share in Scenario 2 (40 million lbs), the Property Ratio Value of $0.45 per share, and the EV/R Value of $0.92.
- This price objective reflects Anomaly 1 already having a NI 43-101 resource estimate, and that estimates for Anomaly 3 and 4 are expected to be received in November 2009.
- In addition, a favourable PEA also would lend credence to our chosen Target Price.
- Our 24-month Target Price of $2.00 per share is suggested by Scenario 3. This price objective assumes the Company has at least 40 million lbs of uranium resource, is well-financed to move to the pre-feasibility stage, and both the uranium industry conditions and stock market sentiment are more buoyant than at present.

COMMENT: *As the Company receives NI 43-101 Technical Reports for the other three anomalies, we will be re-assessing our Target Price. Highly favourable technical reports should have a positive upward bias for the stock price.*

THE MACUSANI PROJECT

The Macusani Project lies within the circles shown on the following map.

The Company's Macusani Project consists of 12 anomalies. The Company is currently focused on the top four anomalies as follows:

Anomaly 1 (Colibri II and III):

The Company has successfully completed phrase 1 and 2 drillings with 123 diamond holes being drilled. Modeling was carried out and prepared in compliance with NI 43-101.

In December 2008, the Company released a NI 43-101 resource estimate for Anomaly 1 as follows:

- Indicated Resource at 75 U ppm cut-off: 1.6 million lbs of U3O8; and
- Inferred Resource at 75 U ppm cut-off: 12.9 million lbs of U3O8.

Based on the results taken from all parts of the ore-body, the metallurgical recovery for Anomaly 1 is between 88% and 96% as shown in the table below:

Uranium Zone 1		Uranium Zone 2	
Solution	501.40 g/t	Solution	23.91 g/t
Residue	7.20 g/t	Residue	4.43 g/t
Analytical head grade	508.59 g/t	Analytical head grade	28.34 g/t
Assay head grade	509.00 g/t	Assay head grade	75.00 g/t
Recovery	98.58%	Recovery	84.37%
H2SO4 consumption	14.48 Kg/t	H2SO4 consumption	14.62 Kg/t

Source: The Company's presentation July 2009

Further Development:

- The Company has engaged GBM Consulting to prepare a Preliminary Economic Assessment (PEA) for Anomaly 1. The assessment is intended for the mine with production of one (1) million pounds and a minimum life of 10 years.
- The threshold for economic production is estimated at 20-25 million lbs.
- Capital expenditures (Capex) to bring the mine into production are estimated at $80-$100 million, based on the assumptions: Cash cost: $12-$15/lb; amortization Capex: $7-$8/lb, with all-in costs estimated to be $25/lb.
- Capital payback is estimated to be about two years.
- The PEA is expected to be completed in November 2009.

Anomaly 2 (Colibri I and IV):

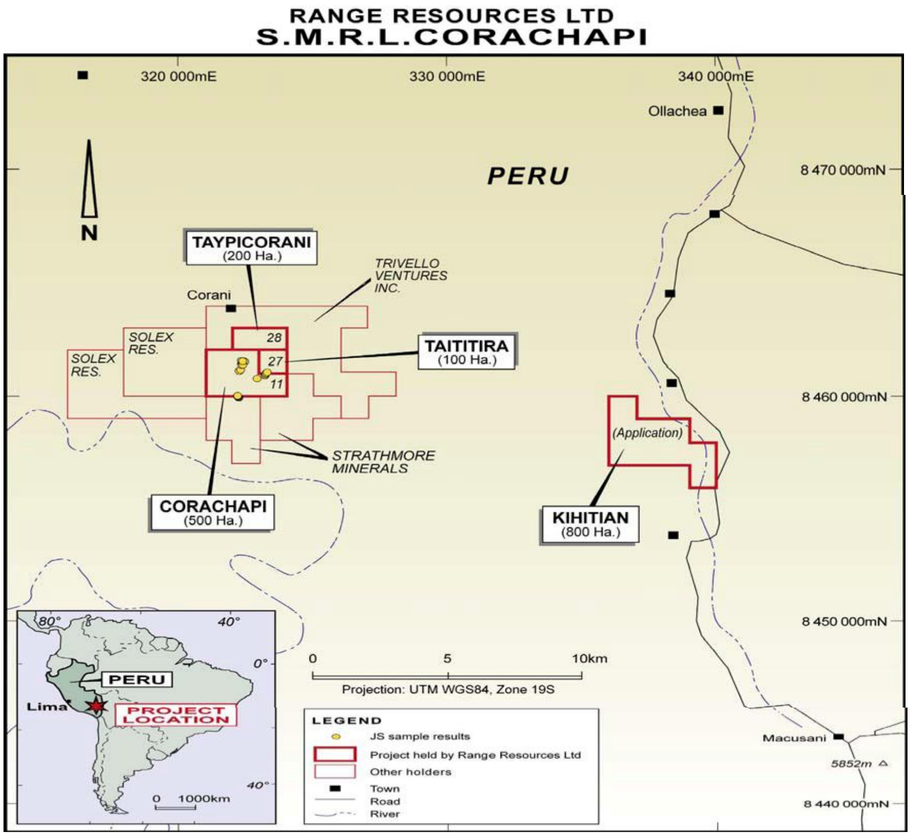
Substantial exploration work has been carried out by the Company on this anomaly. The Company's current targets include a four-km long radiometric anomaly in the Colibri II area, along the Macusani Plateau, where management believes its property is underlain by uraniferous volcanic ignimbrite breccia rocks similar to those currently being drilled on nearby properties.

Up to September 2009, 10 diamond drill holes have been drilled with results indicating all uraniferous potentially having higher grades than Anomaly 1. Although the time for a resource estimate in accordance with the NI 43-101 standards has not yet been announced, we expect this anomaly to contain a similar resource size as Anomaly 1. Our expectation is based on the similar characteristics of size and geological features.

COMMENT:
Anomaly 1 and 2: *Since our April 2008 Initiating Report, the Company has successfully transferred the Anomaly 1 from a mere conceptual resource into a NI 43-101 resource estimate. We view this development as a significant improvement on two major fronts: (1) The estimate substantially increases the intrinsic value of the entire project; and (2) Based on the similar size and characteristics of each of the Anomalies 1, 2, 3 and 4, we would expect similar resource estimates to be achieved on those other properties.*

Anomaly 3 (Corachapi):

Anomaly 3 is identified on the following map.



Source: Range Resources (Prior to the acquisition by Macusani Yellowcake)

The Corachapi uranium prospect is located about 150km east-south-east of the city of Cusco in the Puno region. Its uranium deposit consists of secondary uranium mineralization occurring as fracture coatings and impregnations in rhyolitic non-welded tuff, and fracture fill within rhyolitic crystal-lithic tuff and ignimbrite.

The Company acquired the Corachapi and Kihitian concessions in June 2009 for $500,000 in cash. The concessions are located in the vicinity of Macusani's other concessions in the north-eastern portion of the Macusani Plateau.

Significant prior exploration work was carried out on the concessions, including 193 drill holes and underground exploration. A resource was previously calculated for the Corachapi concession utilizing the JORC Code (approximately 3.7 million lbs of Inferred).

Macusani is in the process of recovering all prior exploration data and preparing a new resource estimate in accordance with National Instrument 43-101. The estimate is expected in November 2009. We expect the same size of resources as in Anomaly 1, can be obtained for Anomaly 3 and 4, which is approximately 10-12 million lbs of Indicated and Inferred resources for each anomaly.

A further exploration program by the Company is also planned on the concessions, including infill and correlation drilling, to more fully explore the potential of the large radiometric anomalies contained within the concessions.

Anomaly 4 (Kihitian):

The Company acquired the Kihitian concessions (see previous map), along with the Corachapi, in June 2009. Anomaly 4 is about 12km to the east of the Corachapi concessions.

Significant drilling and underground work was carried out on the concessions prior to the acquisition. The Company expects to release a NI 43-101 resource report in November 2009. The resource report is based on adit sampling from previous work. The Company also intends to do further exploration work on the concession to determine its resource potential.

COMMENT: *The newly acquired Corachapi and Kihitian concessions are within the vicinity of the Company's other properties and have potential for significant resources based on prior drilling and underground chip sampling. Thus, the acquisition could greatly increase the intrinsic value of the Company's property portfolio (compared to the time of our Initiating Report).*

FINANCIAL REVIEW AND OUTLOOK

Fiscal Year-End: September 30

Revenue: The Company currently generate no revenues.

Burn Rate: The monthly burn rate is expected to be $80,000 over the next 12 months. This rate does not include cash spent on exploration activities, which are treated as capital expenditures ("capex"). With the cash balance at June 30th being approximately $1.4 million, and excluding any capex (see below), the funds available for operating expenses should last approximately 17 months.

Capital Expenditures: Capex is expected to be approximately $2 million for the next 12 months. Should the Company decide to bring Anomaly 1 into production, estimated capex is at least $70 million over the next 5 years. With the current cash balance of approximately $1.4 million, the Company should return to the equity market in spring 2010.

Financing: We expect the Company to continue to obtain sufficient financing for its exploration programs, based on the following:

- A NI 43-101 resource estimate for Anomaly 1 is in hand.
- NI 43-101 resource reports are expected for both Anomaly 3 and Anomaly 4 by the end of 2009.
- A PEA study on Anomaly 1 is expected to be released in November 2009. The study is expected to be favourable, indicating low operating costs and reasonable capital expenditures to bring Anomaly 1 into production.
- Total resource estimate for the Macusani Project is reasonably estimated to be at least 40 million pounds.
- Investor interest has started to return to the junior mining sector given that the credit market is more stable now than a year ago and the economy begins to recover.

Table 4: Selected Financial Information:

(CAD$)	11 months Sept 30. 07	Year End Sept 30. 08	12 months Jun 30. 09	Year End (E) Sept 30. 10	9 months Jun 30 08	9 months Jun 30. 09
Statement of Income/(Loss):						
Revenue	-	-	-	-	-	-
Interest Income	63,955	61,230	18,595	50,000	47,503	4,868
General & Administrative Expense	(660,593)	(1,445,205)	(1,170,651)	(1,200,000)	(1,192,670)	(918,116)
Amortization	-	(1,286)	(2,920)	(3,500)	(103)	(1,737)
Stock-based Compensation	(780,000)	(210,476)	(242,153)	(240,000)	(198,743)	(230,420)
Other Non-Cash Items	(800,367)	(386,762)	-		(386,762)	
Other Income/(Expenses)						
Net Income/(Loss)	(2,177,005)	(1,982,499)	(1,397,129)	(1,393,500)	(1,730,775)	(1,145,405)
Total Shares Outstanding	22,881,285	24,296,285	41,731,284	46,731,284	24,296,285	41,731,284
Weighted Average S/O	16,494,809	24,177,596	33,055,939	44,231,284	24,137,745	33,055,939
Earnings (Loss) Per Share	(0.13)	(0.08)	(0.04)	(0.03)	(0.07)	(0.03)
Statement of Cash Flow:						
Net Income (Loss)	(2,177,005)	(1,982,499)	(1,397,129)	(1,393,500)	(1,730,775)	(1,145,405)
All Non-Cash Items	1,580,367	598,524	245,073	243,500	585,608	232,157
Cash Flow from Operations	(596,638)	(1,383,975)	(1,152,056)	(1,150,000)	(1,145,167)	(913,248)
Capital Expenditures (Properties)	(2,007,935)	(1,840,591)	(2,251,595)	(2,000,000)	(1,398,347)	(1,809,351)
Property, Plant and Equipment		(12,863)	(441)		(12,422)	-
Free Cash Flow	(2,604,573)	(3,237,429)	(3,404,092)	(3,150,000)	(2,555,936)	(2,722,599)
Working Capital Changes	33,008	(177,448)	(691,127)	(27,294)	83,238	(430,441)
Equity Financing	6,237,570	40,000	4,342,367	2,000,000	40,000	4,342,367
Transaction costs & Other	-	(60,707)	-	-	(60,707)	-
	3,666,005	(3,435,584)	247,148	(1,177,294)	(2,493,405)	1,189,327
Cash, Beginning of the Period	-	3,666,005	247,148	1,419,748	3,666,005	230,421
Cash, End of the Period	3,666,005	230,421	1,172,600	242,454	1,172,600	1,419,748

(CAD$)	As at Sept 30. 07	As at Sept 30. 08	As at Jun 30. 09	As at (E) Sept 30. 10		As at Jun 30. 09
Balance Sheet:						
Cash	3,666,005	230,421	1,419,748	242,454		1,419,748
Other Current Assets	72,104	290,174	394,297	180,000		394,297
Mining Properties	2,539,461	4,489,033	6,679,775	8,676,275		6,679,775
Other Assets	124,596	167,278	252,232	252,004		252,232
Total Assets	6,402,166	5,176,906	8,746,052	9,350,733		8,746,052
Current Liabilities	176,632	420,055	561,819	560,000		561,819
Other Liabilities	-	-	-	-		-
Debt Obligations	-	-	-	-		-
Total Liabilities	176,632	420,055	561,819	560,000		561,819
Shareholders' Equity	6,225,534	4,756,851	8,184,233	8,790,733		8,184,233
Total Liabilities & Equity	6,402,166	5,176,906	8,746,052	9,350,733		8,746,052
Book Value (S.E.) Per Share	0.27	0.20	0.20	0.19	-	0.20

Source: eResearch and the Company E = estimate

COMMENT: *The exploration budget for the next 12 months is estimated to be $2.0 million. The current cash burn shows that the Company has sufficient cash to finance all of its operating expenses until at least the end of fiscal year 2010. We would expect approximately 8.5 million of new shares to be issued to finance exploration expenditures to get the Macusani project to the pre-feasibility stage. Book value of the equity per share is expected to remain at or around $0.20.*

APPENDIX 1 – DIRECTORS AND MANAGEMENT

Alan Ferry – Director, and Chairman of the Board of Directors

Alan Ferry, B.Sc. (Geol.), CFA, has over 27 years' experience in the investment industry. This followed a career as a geologist, mainly in uranium exploration. Mr. Ferry has significant experience in mining analysis, mineral economics and corporate finance, and sits on the boards of directors of several publicly traded mining and exploration companies.

Peter Hooper – Director, and President

Peter Hooper, B.Sc. Mining Engineering, is a senior mining executive with broadly based experience in production, engineering, reorganization and training, contracting, exploration, and corporate affairs, Peter has a long track record in the mining industry in South Africa, Canada, Australia, and Ghana.

Laurence Stefan, Director, and Managing Director, Peru

Laurence Stefan, M.Sc. (Geology & Mining Engineering) & Ph.D. (Economic Geology) is the founder of the Colibri Group of Companies in Peru and Managing Director of Minera Colibri. He has conducted metallurgical and mineralogical evaluation of over 200 mining and exploration projects throughout Central and South America, Europe, Africa, and Asia and has compiled in excess of 1,000 in-house reports.

Nicholas Tintor, Director

Nicholas Tintor, B.Sc., is President and CEO of Homeland Uranium Inc. Mr. Tintor is a geologist with more than 25 years of experience in the mining industry, most recently as President of Anaconda Gold. He has been involved with all aspects of the management of junior mining companies, including finance and project acquisition.

Paul Andersen, Chief Financial Officer

Paul Andersen is the managing partner of a downtown Toronto accounting firm. He has over 15 years of experience in senior management roles, and is currently an officer of publicly-listed Plato Gold Corp. and Gulf & Pacific Equities Corp. A graduate of the University of Toronto, he also holds designations as a Chartered Accountant (Canada) and Certified Public Accountant (United States).

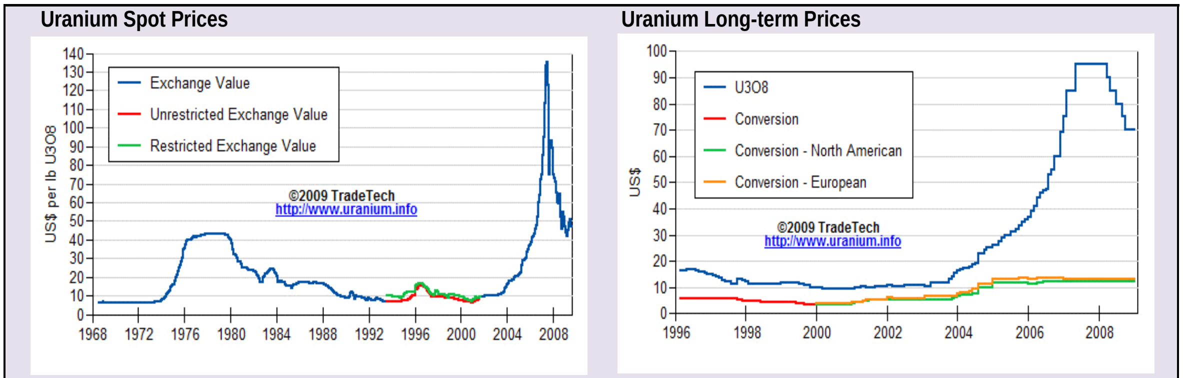
Peter Hooper and Laurence Stefan are members of the Operating Committee.

Peruvian Ground Team

Macusani's Peruvian ground team consists of a Spanish speaking crew, many having previously worked in Peru with Harmony Gold and having more than 10 years' experience in field exploration and drilling.

APPENDIX 2: THE URANIUM MARKET

Uranium Price Indicator



Source: TradechTech www.uranium.info

The uranium market, like other commodity markets, is volatile in nature, moving with changes in demand and supply conditions. However, the spot uranium market has more exposure to the role-play of speculators, such as hedge funds, and to political influence than other commodities such as copper or nickel. According to the Conservation Council of South Australia, about half of the total uranium production is for military use; only 430 out of a total of 1,100 operating nuclear reactors are for commercial use.

Most demand for uranium comes from five major countries (the U.S.A., Russia, the U.K., France, and China). After the end of the Cold War, the demand for uranium declined significantly. In addition, the Chernobyl and Three Mile Island incidents caused the demand for nuclear power generation to plummet further, as public interest for nuclear power generation waned. This explains the low uranium prices in the 1990s and the first half of 2000s.

In the advent of China and India emerging as new economic powers, the world's increasing attention for global warming, and the U.S.A. focusing on shifting away from reliance on uneconomic oil and gas-fired fuels for new power plants, the demand for cleaner energy and, henceforth, nuclear power generation, is increasing. With a few uranium mines still in production and very limited exploration activities in the early 2000s, the world experienced excess demand and the price started trending upwards sharply. The upward trend started in mid 2004, reaching its peak in June 2007 at US$138/lb.

Another factor causing supply shortage was that two major mines were flooded during this period. The first one was Cameco's Cigar Lake (the world's largest undeveloped high-grade uranium deposit) in October 2006 that pushed its expected production date back to 2013 from 2008. The other flooding was Energy Resources (Australia), which significantly reduced the mine production to 7.5 million pounds from a planned production of 11.5 million pounds, or 4% of the world's total uranium output.

However, the steep upward slope of the spot price between 2005 and June 2007 did not reflect the shift in demand/supply conditions since the changes in these conditions are more gradual rather than what was indicated by the chart above.

The spot uranium price started trending down after June 2007. This can be explained by: (1) the lack of buying interest on the spot market, since 85% of commercial uranium transactions are long-term contracts. The spot price tends to be more volatile and does not necessarily reflect long-term contract prices, since spot prices are recorded on the latest contract being delivered while the long-term contracts are negotiated between the producers and utility companies; and (2) the lack of market liquidity on uranium transactions resulting in speculators and hedge fund selling off their positions. According to StockReview.com, a few million pounds being offered to sell in the spot market would put a lot of downward pressure on prices.

The current spot market price (as of October 5, 2009) is US$43.50/lb. We believe the current spot price, again, does not reflect long-term contract prices. TradeTech's long-term uranium price forecast is US$95/lb. Currently, the average long-term contract price is about US$64/lb.

Fundamentally, future uranium prices will revolve around demand-supply forces. However, we acknowledge that there are some issues that could cause a significant shift in long-term contract prices, as well as spot market behaviour.

The major demand issues include financing the many proposed mega projects, overcoming potential labour shortages, and dealing with government policies and regulations.

The supply issues include the uncertainty as to whether Kazakhstan can achieve its goal of producing 39 million lbs U_3O_8 by 2010, whether Cameco can realize on its targeted re-opening of Cigar Lake by 2013 (possibly later), whether Australia's Olympic Dam can be expanded to its objective of 30 million lbs by 2014, and whether AREVA's Niger mine can open in 2010 and reach optimum output of 10 million lbs by 2014.

COMMENT: *Low spot prices could significantly impact junior exploration companies since low prices, coupled with tight credit markets, discourage investors, making it difficult for these companies to obtain financing.*

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.

***e*Research analysts on this report:**

Eric Eng, BA (Acct., Econ.), MBA - Eric Eng worked at DBRS as an Analyst/Vice President for 10 years. He obtained a BA in Accounting and Economics and a MBA in Finance at the University of Toronto. He joined *e*Research in January 2008.

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 *e*Research in 2004.

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*e*Research Recommendation System

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.

*e*Research Risk Rating System

A company may have some, but not necessarily all, of the following characteristics of a specific risk rating to qualify for that rating:

High Risk: *Financial* - Little or no revenue and earnings, limited financial history, weak balance sheet, negative free cash flows, poor working capital solvency, no dividends.
Operational - Weak competitive market position, early stage of development, unproven operating plan, high cost structure, industry consolidating, business model/technology unproven or out-of-date.

Medium Risk: *Financial* - Several years of revenue and positive earnings, balance sheet in line with industry average, positive free cash flow, adequate working capital solvency, may or may not pay a dividend.
Operational - Competitive market position and cost structure, industry stable, business model/technology is well established and consistent with current state of industry.

Low Risk: *Financial* - 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.
Operational - 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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Macusani Yellowcake Inc., paid *e*Research a fee of $20,000+GST to conduct research on the company on an Annual Continuous Coverage basis.

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