Edison investment research

25 May 2011

All Star Minerals

Year End	Revenue (£m)	PBT* (£m)	EPS* (p)	DPS (p)	P/E (x)	Yield (%)
11/08	0.0	(0.36)	(0.6)	0.0	N/A	N/A
11/09	0.0	(0.19)	(0.2)	0.0	N/A	N/A
11/10	0.0	(0.12)	(0.1)	0.0	N/A	N/A
11/11e	0.0	(0.12)	(0.1)	0.0	N/A	N/A

Note: * PBT and EPS are normalised, excluding goodwill amortisation and exceptional items.

Investment summary: More than uranium

Drilling at All Star Minerals' Gilpas project in northern Sweden is expected to commence in June if permissions are granted. A 50-hole, 500m bedrock interface drilling programme is designed to confirm the presence of uranium mineralisation associated with a 500m-long radon anomaly comparable in size to the nearby Pleutajokk uranium deposit. The company raised £106,250 in March and has sufficient funds in place for the initial £53,000 drilling programme at Gilpas. All Star is looking to raise a further £200,000 to fund wider exploration activities, including the investigation of a significant magnetic anomaly on its Samon property where the company is already targeting uranium, thorium and rare earth mineralisation.

Uranium market and the thorium alternative

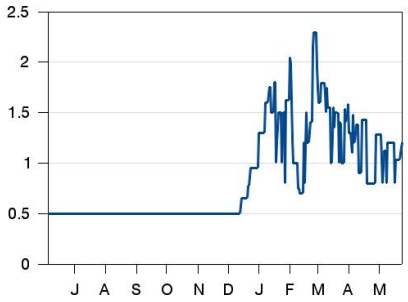
A new act allowing for the future construction of nuclear power plants in Sweden came into effect on 1 January 2011, but subsequent events in Japan have raised questions about the future of nuclear power. The uranium spot price responded to the crisis at the Fukushima plant by falling by more than 20%, but has since levelled out at $55/lb of U_3O_8 (down by 25%) from recent highs of $73/lb, which represented a high water mark since record levels in 2007. Discussions on alternatives to nuclear power generation using uranium see thorium emerging as a safe alternative. All Star is exploring for uranium and thorium and consequently is well positioned to benefit from both the thorium alternative and a normalisation of sentiment towards uranium.

Valuation: Conceptual upside

Based on a sector multiple of US$9.02/lb of U_3O_8 and All Star's EV of £2.27m, the market appears to be pricing in 406,144lbs of uranium for the Gilpas project. This reflects the absence of a defined mineral resource and uranium mineralisation has not yet been confirmed. On a conceptual basis, if drilling at Gilpas succeeds in defining a code-compliant resource of 2m pounds of uranium, ie only 10% of the 20m pound Pleutajokk deposit located 20km away, then the EV of All Star could reach US$18m, which is equivalent to 5.4p/fully diluted share. The potential to discover thorium, uranium and rare earths at Samon provides additional upside to the value of All Star Minerals.

Price	1.10p
Market Cap	£2.3m

Share price graph



Share details

Code	ASMO
Listing	PLUS
Sector	Metals & Mining
Shares in issue	206m

Price

52 week	High	Low
	2.30p	0.50p

Balance Sheet as at 30 November 2010

Debt/equity (%)	N/A
NAV per share (p)	0.0
Net cash (£m)	0.0

Business

All Star Minerals is a uranium exploration company focused on Sweden, where it owns 100% of the mineral exploration licences for three projects: Gilpas, Samon and Kuusivaara. The licences cover a total area of 111km^2 in northern Sweden and are prospective for uranium, thorium and rare earths.

Valuation

	2009	2010	2011e
P/E relative	N/A	N/A	N/A
P/CF	N/A	N/A	N/A
EV/Sales	N/A	N/A	N/A
ROE	N/A	N/A	N/A

Revenues by geography

UK	Europe	US	Other
0%	0%	0%	100%

Analysts

Warren Johnstone +44 (0)20 3077 5700
Charles Gibson +44 (0)20 3077 5724
mining@edisoninvestmentresearch.co.uk

Gilpas: Looking for bedrock uranium mineralisation

All Star Minerals holds exploration licences for three properties covering 111km^2 in northern Sweden (see Exhibit 1). Last year, All Star renewed its licences for a 12-month period, this year; the company will either renew the licences for a further 12 months, or for a three-year period, depending on the company's finances at the time renewals are due. In Sweden, licence holders can explore on a property for up to nine years by extending their three-year tenure twice, this extension process is a formality if the company can demonstrate a systematic exploration approach and a reasonable degree of investment. All Star Minerals is such a company and was originally setup to explore for thorium on the Samon property because of the presence of thorium-rich glacial boulders discovered in this area. Exploration activity has since been redirected to the Gilpas property, where glacial boulders containing very high concentrations of uranium were discovered by the Swedish Geological Survey in the early 1980s.

Exhibit 1: Summary and status of All Star Minerals' exploration licences in Sweden

Exploration Permit	All Star interest (%)	Licence issue date	Licence expiry date	Licence area (km^2)
Samon	100%	3 August 2007	3 August 2011	28
Gilpas 1	100%	14 December 2007	14 December 2011	12
Gilpas 2	100%	14 December 2007	14 December 2011	39
Kuusivaara 1	100%	14 December 2007	14 December 2011	8
Kuusivaara 2	100%	7 December 2008	7 December 2011	24

Source: All Star Minerals

Registered in December 2007, Gilpas comprises two contiguous exploration licences covering 51km^2 within the Arjeplog Municipality of the Norbotten County in northern Sweden. This is the most prospective uranium district in Sweden with a number of significant uranium deposits located within 25km of Gilpas, including the Pleutajokk and Skuppesavon deposits owned by Aura Energy (AEE: ASX).

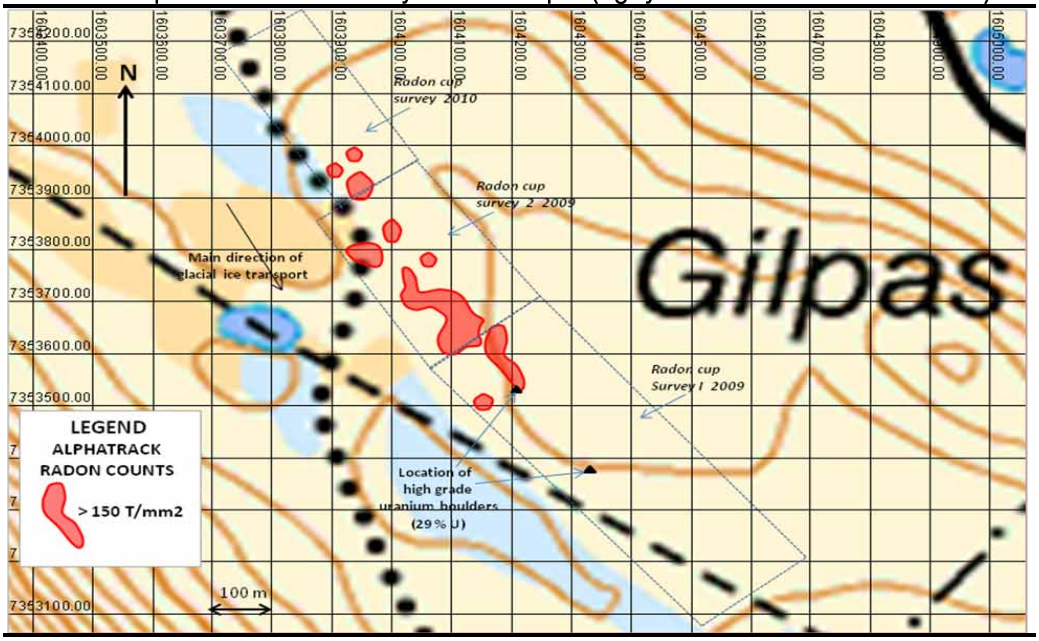
The area is covered by a veneer of glacial till that is 5-10m thick. Underlying granites and volcanic rocks are considered to be prospective for uranium and the presence of large uranium-bearing boulders in the till profile suggest that uranium mineralisation could be developed in the bedrock nearby. In 1982, the geological survey explored the till 'up-ice' of the boulders meaning they attempted to locate the source of the boulders, they confirmed the presence of a 750m-long zone of mineralised boulders aligned north-north-west to south-south-east.

Radon surveys: Likely bedrock source of uranium identified

All Star conducted two radon surveys at Gilpas in July-September 2009. This exploration technique measures radon gas produced as a decay product of uranium-bearing minerals in the bedrock and till, which should identify areas of potential uranium mineralisation. The radon gas travels upwards through fractured rock and soil over time and is captured by Alpha Track radon detector cups inserted into the soil cover on surface. The cups are set out in an array or pattern covering the area of investigation (see Exhibit 2). The results of these surveys allowed All Star to identify a generally anomalous zone covering an area of 157,500m^2 and encompassing two highly anomalous zones, one 150m long and 40m wide and covering an area of 6,000m^2, the other 300m long and of undetermined width.

In late January 2011, the company released the results of a third survey which effectively expanded the highly anomalous zone from 6,000m^2, to 8,000m^2, and the generally anomalous zone by 72,500m^2 to 230,000m^2. When analysing the data, the company used two cut-off readings: the generally anomalous zone is defined by the lower cut-off of >100 tracks per mm^2 while the highly anomalous zone is resolved at the higher cut-off of 150 tracks per mm^2. Exhibit 2 shows that the highly anomalous zone is made up of nine smaller zones aligned in a north-west to south-east direction and extending for 500 metres, which is comparable in size to the nearby Pleutajokk Uranium Deposit. The south-easterly tip of this anomaly corresponds to the discovery site of one of the uranium-rich boulders, and a second boulder was found 125 metres further to the south-east in the 'down-ice' direction. These geometric relationships, along with the relatively shallow till/bedrock interface, are strong evidence that the boulders originated from the highly anomalous area and that this area encompasses the source of bedrock uranium mineralisation evident in the boulders.

Exhibit 2: Interpretation of radon survey results at Gilpas (highly anomalous zones shown in red)



Source: All Star Minerals

Now that comprehensive regional exploration has taken place, the logical next step is for All Star to drill the anomalous zone in order to test for mineralisation and to delineate the extent of mineralisation if present.

Proposed drilling

Drilling at Gilpas is expected to commence in June if permission is obtained. A 50-hole bedrock-interface drilling programme is designed to cover the 500 metre-long radon anomaly and will effectively sample the bedrock geology at 50 selected points to provide a representative data set for exploration purposes. This drilling technique is specifically designed for previously glaciated terrains, and will involve drilling short (10m) vertical holes at 10m intervals along five parallel grid lines which run perpendicular to the orientation of the north-west/south-east-trending anomaly (see Exhibit 2). This amounts to 500 metres of drilling, of which only the final metre of each hole is sampled because this is the interval at which each drill hole is expected to intersect the bedrock interface. The company has budgeted £53,000 for this drilling programme, less than 10% of which will be required for sample analysis, with the balance of costs split almost equally between physical

drilling activities and geological management. In an ideal situation, All Star would like to report a maiden code-compliant resource from this drilling programme but we predict that even if significant uranium mineralisation is intersected, a second phase of deeper drilling would be required to delineate sufficient volume to define a resource. Different drilling techniques would need to be employed for such a programme and costs would almost certainly exceed £200,000.

The company has submitted its drilling plans to the Swedish Mines Inspector and expects to receive permission to drill before the end of May 2011, estimating that the drilling will be completed 20 days after commencement.

Neighbouring deposits: Comparison and caution

Aura Energy's Pleutajokk and Skuppesavon deposits are located in close proximity to Gilpas. The 500m-long radon anomaly on All Star's property is comparable in size to Pleutajokk, providing a reasonable basis for comparison despite the very early stage of exploration at Gilpas. In a previous analysis, we calculated a weighted average grade of 0.098% U_3O_8 for the combined resources at Pleutajokk and Skuppesavon which amount to 2,842 tonnes of contained uranium. On its own, Pleutajokk contains more than 2,000 tonnes of uranium at a grade close of approximately 0.1% U_3O_8. If continued exploration activities at Gilpas result in All Star delineating a uranium orebody of similar size to Pleutajokk, there is a reasonable chance that the grade of this orebody could be significantly higher than Pleutajokk because of the very high concentrations of uranium found in boulders on the Gilpas property. Some caution is required in the interpretation of the exceptionally high uranium content of the Gilpas boulders, both of which contained 29% U_3O_8, because these 'samples' are neither statistically representative nor are they in-situ that is to say formed in the place they were discovered. If drilling at Gilpas intersects uranium mineralisation, the grade from the 50 sample points will allow a better understanding of uranium grades at Gilpas.

Samon: Thorium, uranium and rare earths

All Star Minerals also submitted drilling plans to the Swedish Mines Inspector for their Samon property, located in the county of Norbotten in northern Sweden, where the company is exploring for uranium, thorium and rare earth elements. Drilling at Samon is scheduled to commence in July 2011 and is designed to build an understanding of the bedrock geology in this area and to locate possible mineralisation. The company will employ the same bedrock interface drilling technique as on the Gilpas property, except that at Samon, All Star is drilling for two distinct targets rather than one. The first is located in the south of the license area and the second in the north.

An area of high radioactivity in the south is interpreted to be the source of thorium, uranium and rare earth mineralisation. In the 1970s, prospectors discovered mineralised glacial boulders in the southern portion of the Samon license area. The Swedish Geological Survey confirmed these locations and analysed the boulders to reveal significant thorium enrichment of 3.5%, associated with uranium concentrations of 0.05% and the presence of phosphates of rare earth elements (REEs) including cerium and yttrium. Company geologists interpret this association of minerals to have formed in a geological complex known as a carbonatite, and All Star aims to discover such a complex. Carbonantites are rare intrusive bodies which frequently host economic quantities of iron, copper, phosphates and rare earth elements. Typical examples are Mountain Pass Mine in California, the US, and the Phalabowra Carbonatite Complex in South Africa where REE

mineralisation is hosted in carbonatite rocks. The largest REE deposit in the world, at Bayan-Obo in China, is thought to be carbonatite-related.

Magnetic anomaly in the north

While interpreting aeromagnetic data acquired in the Samon area, All Star identified a large magnetic anomaly in the north of the license area which covers a continuous area of 750,000m^2 and which it believes has the potential to host a magnetite deposit. The company intends to move the drill rig from the south of Samon once bedrock interface drilling has been completed there, which will allow them to drill the anomaly in the north to determine the cause of the magnetic signature. The drill rig can be converted into a coring machine to enable deeper drilling of the bedrock; this will be necessary because unlike the uranium, thorium and REE targets, the source of the magnetic anomaly may be well below the till/bedrock interface. We anticipate that this drilling exercise will be comparable in cost to the programmes at Gilpas and Samon south.

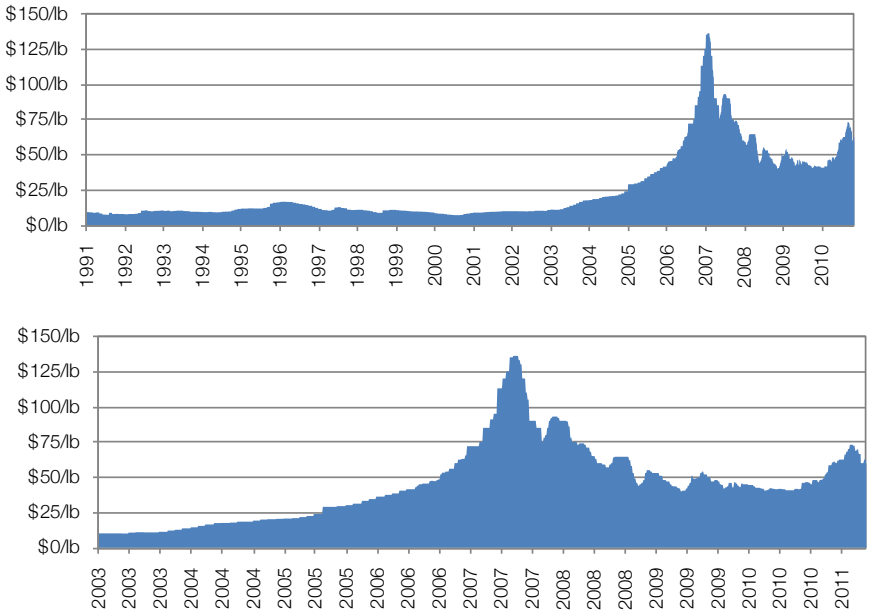
Outlook for uranium: The Fukushima effect

In 2009, the Swedish government announced plans to introduce a bill to overturn a 30-year ban on the construction of nuclear power plants in Sweden. The bill was passed and came into effect on 1 January 2011. This reflects the environmental agenda which has seen a focus on reducing carbon emissions and governments around the world taking greater interest in the role of nuclear power. Following the Fukushima disaster in Japan, positive sentiment was swept away – at least initially. Uranium stocks were impacted across the board with rapid and substantial share prices falls which have since partially recovered, giving rise to 'the Fukushima effect' – a reference to the similar shape of share price graphs for uranium companies during this period. After weeks of scepticism, commentary on the crisis has returned to a more rational view that the industry and governments will learn from Fukushima, and there is a general recognition that nuclear power has to be part of the future energy equation to meet rapidly growing demand.

Uranium prices: Unsettled

The uranium spot price responded to the crisis at the Fukushima plant by falling by 17% in 17 days, marking a period of uncertainty which remained seven weeks after the event. Despite the unsettled nature of the market, the spot price has levelled out at around $58/lb of U_3O_8, down from recent highs of $73/lb which represented a high water mark for the uranium spot price since record levels in 2007. Exhibit 3, below, illustrates the remarkable increase in the uranium spot price from 2003 to mid-2007 and the equally remarkable correction which saw the price fall from $136/lb in July 2007 to $40/lb in April 2009. The rising trend was in evidence and the price had steadily recovered to above $66/lb on the eve of the Japanese tsunami.

Exhibit 3: Spot prices of U_3O_8 since 1990 and since 2003 (US$/lb)



Source: Thomson Reuters Datastream

During April 2011, the uranium price was flat, reflecting continued uncertainty in the market. Buyers are increasingly price sensitive so there is limited activity in the spot market, resulting in declining demand for uranium and exerting downward pressure on the spot price. In contrast to the market for immediate delivery, nuclear power utilities purchase their uranium direct from suppliers on long-term contracts. Here there is no immediate reduction in demand, but that could be affected if high-risk reactors are shut down and construction programmes are put on hold in the months ahead.

The thorium alternative

China has been working on an alternative technology which uses thorium instead of uranium as nuclear fuel for power generation. With a higher neutron yield than uranium, thorium also has a better fission rating and longer fuel cycles; expensive isotope separation is not required and thorium can be used to treat nuclear waste products. It is argued that this technology will facilitate the building of safer, cleaner, and cheaper reactors using a thorium-based molten salt reactor system, which was pioneered by US Physicists in the 1960s. This research is likely to gather pace in the shadow of Fukushima, with plans already in place to build an industrial scale sub-critical thorium reactor in the UK or China.

Rare Earth Elements: New suppliers needed

The recent restrictions imposed by China on exports of REEs is sending shockwaves through the industries which depend on these unique commodities. Manufacturers of automobiles, military hardware, electronics and even renewable energy and green technologies are affected because China dominates global production of REEs with 85% of world supply coming from that country. With demand increasing rapidly across the industrialised world, it is not surprising that the Japanese government is talking to the Australian government to secure future supply, and there are other examples of strategic moves to address an impending global supply shortfall. REEs are indeed rare with few producers outside of China, so the search for the source of rare earth

mineralisation at Samon takes on special significance and establishes All Star as more than a uranium explorer.

Valuation: Lower sector multiple of US$9/lb

On the basis of a comparison of listed uranium companies, we derive a sector multiple of US$9.02/lb of U_3O_8 which is only slightly lower than the US$10.1/lb multiple derived from our previous analysis in November 2009. This outcome is remarkable, given the variable changes to the EV of individual companies during the intervening period. The list of companies is slightly different to our 2009 analysis: we have removed two and added one, but we would expect that to result in more variation rather than less. We conclude from this result that the sector multiple is robust and that the net effect of changes in the uranium sector since November 2009 is small. This analysis should not be regarded as a peer comparison because All Star has not yet intersected in-situ mineralisation and therefore has not defined a mineral resource. When and if that is the case, and the resource is sufficiently large, then a selection of these companies will represent a good peer comparison group for All Star Minerals.

Exhibit 4: Uranium sector comparison, May 2011

Note: EV = enterprise value, * last reported

Company	Market cap	*Net debt/ (cash)	EV	Attributable resources	EV/ Resource
	US$m	US$m	US$m	lb U_3O_8	US$/lb
African Energy Resources	258.13	3.92	254.21	6.10	41.70
Alliance Resources	101.50	32.46	69.04	14.96	4.61
Aura Energy	33.68	1.03	32.65	7.47	4.37
Black Range Minerals	25.69	4.75	20.94	85.51	0.24
Cameco	10,678.6	326.42	10,352.1	507.29	20.41
Denison Mines	781.71	97.48	684.23	58.99	11.60
Energy Metals	86.59	30.47	56.12	21.50	2.61
Energy and Minerals Australia	74.19	4.97	69.22	53.80	1.29
Extract Resources	1,969.6	59.23	1,910.4	170.55	11.20
First Uranium	179.63	(180.67)	360.30	264.71	1.36
Greenland Minerals and Energy	268.44	12.75	255.69	280.12	0.91
Laramide Resources	84.27	8.25	76.02	64.57	1.18
Mantra Resources	996.41	65.84	930.57	35.98	25.86
Australian-American Mining	23.47	0.72	22.75	5.45	4.18
Paladin Energy	2,668.9	(375.96)	3,044.9	317.37	9.59
Strathmore Minerals	56.89	24.41	32.48	69.94	0.46
Toro Energy	96.25	9.90	86.36	19.20	4.50
UEX	187.58	16.91	170.67	45.13	3.78
UR-Energy	152.96	34.15	118.81	27.36	4.34
Total/*weighted average*			18,555.5	2,056.02	*9.02*

Source: Edison Investment Research

Based on a sector multiple of US$9.02/lb of U_3O_8 and All Star's EV of £2.27m, the market appears to be pricing in 406,144lbs of uranium for the Gilpas project, but this is in the absence of a defined mineral resource. If drilling at Gilpas succeeds in defining a code-compliant resource of only 2m pounds of uranium, compared with the 20m pound Pleutajokk deposit located 20km away, then the EV of All Star could reach US$18m, which is equivalent to 5.4p/fully diluted share. However it should be noted that uranium mineralisation has not yet been confirmed at Gilpas so reference to a potential uplift in the share price is conceptual only. There is also the possibility that the grade of

supposed uranium mineralisation at Gilpas is higher than at the nearby Pleutajokk and Skuppesavon deposits, where the weighted average grade for both deposits is only 0.098%. The potential for All Star to discover thorium, uranium and rare earths at its Samon property provides additional upside to the value of All Star Minerals. For the purpose of our valuation, we have not attributed any value to All Star's Samon and Kuusivaara properties.

Financials

As a junior exploration company, All Star does not yet generate revenues and is unlikely to do so within the next few years. Instead, the company relies on equity fund-raisings to finance its exploration activities. The company has raised almost £200,000 since January 2011, compared with £98,738 in 2010 and £163,422 in 2009 (see Exhibit 5).

Exhibit 5: Summary of fund-raisings undertaken by All Star Minerals since 2009

Note: 206,387,857 shares outstanding as of 31 March 2011.

Date	Number of shares	Price per share (p)	Funds raised (£)
5 May 2009	9,940,000	0.50	49,464
18 May 2009	15,400,000	0.50	76,938
21 May 2009	9,750,000	0.18	17,550
15 June 2009	17,700,000	0.11	19,470
Sub-total (2009)	**52,790,000**		**163,422**
06 July 2010	16,340,000	0.25	40,850
07 October 2010	23,155,000	0.25	57,888
Sub-total (2010)	**39,495,000**		**98,738**
14 Jan 2011	5,000,000	0.60	30,000
8 February 2011	5,600,000	1.10	61,600
9 March 2011	8,500,000	1.25	106,250
Sub-total (2011)	**19,100,000**		**197,850**
Total	**111,385,000**		

Sources: All Star Minerals, Edison Investment Research

A year-by-year comparison shows that more funds were raised in the first three months of 2011 than in either 2010 or 2009 and for the placing of significantly fewer shares. Funds raised to date in 2011 have required All Star to issue 19,100,000 shares compared with 52,790,000 shares issued in 2009. This reflects the performance of the All Star share price since the beginning of 2011, which peaked in March at more than 2.25p/share but which has declined steadily through April and May. There should be sufficient cash from the proceeds of the March placing to sustain operating activities and to complete the planned drilling at Gilpas and Samon, but additional placings will be necessary to fund follow-up activities if All Star is successful in locating the source of mineralisation at any of the drilling locations.

Exhibit 6: Financials

£'000s Year end 30 November	2007 IFRS	2008 IFRS	2009 IFRS	2010 IFRS	2011e IFRS
PROFIT & LOSS					
Revenue	**0**	**0**	**0**	**0**	**0**
Cost of Sales	(170)	(364)	(194)	(118)	(118)
Gross Profit	(170)	(364)	(194)	(118)	(118)
EBITDA	**(170)**	**(364)**	**(194)**	**(118)**	**(118)**
Operating Profit (before GW and except.)	**(171)**	**(364)**	**(194)**	**(118)**	**(118)**
Intangible Amortisation	0	0	0	0	0
Exceptionals	0	0	0	0	0
Other	0	0	0	0	0
Operating Profit	**(171)**	**(364)**	**(194)**	**(118)**	**(118)**
Net Interest	18	3	0	0	0
Profit Before Tax (norm)	**(153)**	**(361)**	**(194)**	**(118)**	**(118)**
Profit Before Tax (FRS 3)	**(153)**	**(361)**	**(194)**	**(118)**	**(118)**
Tax	0	0	0	0	0
Profit After Tax (norm)	**(153)**	**(361)**	**(194)**	**(118)**	**(118)**
Profit After Tax (FRS 3)	**(153)**	**(361)**	**(194)**	**(118)**	**(118)**
Average Number of Shares Outstanding (m)	62.5	63.0	94.9	145.8	175.1
EPS - normalised (p)	(0.2)	(0.6)	(0.2)	(0.1)	(0.1)
EPS - FRS 3 (p)	(0.2)	(0.6)	(0.2)	(0.1)	(0.1)
Dividend per share (p)	0.0	0.0	0.0	0.0	0.0
Gross Margin (%)	N/A	N/A	N/A	N/A	N/A
EBITDA Margin (%)	N/A	N/A	N/A	N/A	N/A
Operating Margin (before GW and except.) (%)	N/A	N/A	N/A	N/A	N/A
BALANCE SHEET					
Fixed Assets	**88**	**48**	**65**	**88**	**87**
Intangible Assets	87	47	65	85	85
Tangible Assets	1	1	0	1	0
Investments	0	0	0	2	2
Current Assets	**227**	**10**	**22**	**40**	**120**
Stocks	0	0	0	0	0
Debtors	8	3	20	37	37
Cash	219	7	2	2	83
Current Liabilities	**(34)**	**(108)**	**(126)**	**(142)**	**(142)**
Creditors	(14)	(108)	(126)	(142)	(142)
Short term borrowings	(20)	0	0	0	0
Long Term Liabilities	**0**	**0**	**0**	**0**	**0**
Long term borrowings	0	0	0	0	0
Other long term liabilities	0	0	0	0	0
Net Assets	**281**	**(50)**	**(38)**	**(15)**	**65**
CASH FLOW					
Operating Cash Flow	**(150)**	**(159)**	**(173)**	**(99)**	**(118)**
Net Interest	16	6	0	0	0
Tax	0	0	0	0	0
Capex	(97)	(59)	(18)	0	0
Acquisitions/disposals	0	0	0	0	0
Financing	0	20	186	99	198
Dividends	0	0	0	0	0
Net Cash Flow	(231)	(192)	(5)	(0)	80
Opening net debt/(cash)	**(430)**	**(199)**	**(7)**	**(2)**	**(2)**
HP finance leases initiated	0	0	0	0	0
Other	0	0	0	0	0
Closing net debt/(cash)	**(199)**	**(7)**	**(2)**	**(2)**	**(83)**

Sources: Edison Investment Research, All Star Minerals accounts