April 3, 2006
Volume 20
Issue 14

A weekly publication of
Ux Consulting

www.uxc.com

Ux Weekly

The Leading Source For Timely Market Information

Ux U_3O_8 Price: (4/3/06)
$41.00 (+0.50)
Ux LT U_3O_8 Price: (3/27/06)
$42.00

First Quarter Spot U_3O_8 Review

While not as dramatic as the first quarter of last year, spot activity in the first three months of 2006 appears to be back to "normal" levels. Price movements, however, continue to increase at an accelerated pace. As a result, discretionary decisions still play an important role in driving buying activity, and buying activity also continues to be less public, although more formal auctions have started to occur on the selling side. Below is a brief review of last quarter's spot activity.

Volume – The quarter started slowly with only four deals reported as awarded during January. Activity did pick up throughout the quarter with seven deals listed in February and another ten deals reported in March. This activity resulted in a total volume of just over five million pounds U_3O_8e from 21 deals for the quarter. This volume represents a 60% drop from that posted in the first quarter of last year (see the chart below), but it is just above the average activity level over much of the last decade. Moreover, this quarter's volume is likely to be adjusted upward as additional off-market deals are confirmed.

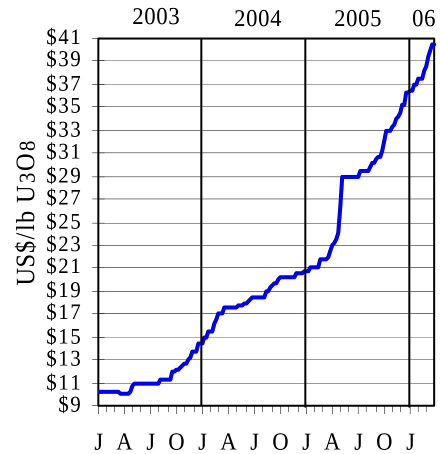
Form – Compared to the fourth quarter of last year, where three-fourths of the volume was as U_3O_8, this year has started with a more even split between U_3O_8 and UF_6, with EUP making up almost 5% of the overall volume (see chart on page 2). Until recently, UF_6 supply was more ample than straight U_3O_8 and demand for spot conversion has been low, resulting in the discounting of many UF_6 offers. This price competitiveness has been a contributing factor in increasing UF_6 sales. On the other hand, a slight increase in demand for UF_6 combined with the now resolved production problems at Comurhex (see story on page 3) put renewed pressure on this form resulting in an increase in UF_6 pricing. Looking at enriched uranium product activity, recent demand for spot SWU has resulted in last quarter's EUP volume as well.

Method – Looking at the chart on page 2, formal spot activity started at a moderate rate during January, but as volumes and prices continued to rise, activity reverted back to more quiet means. For the quarter, 68% of the volume was classified as being conducted through so-called off-market methods. While at a high percentage, this level is actually much lower than the 94% posted during the first quarter of 2005 and 81% annual average for last year.

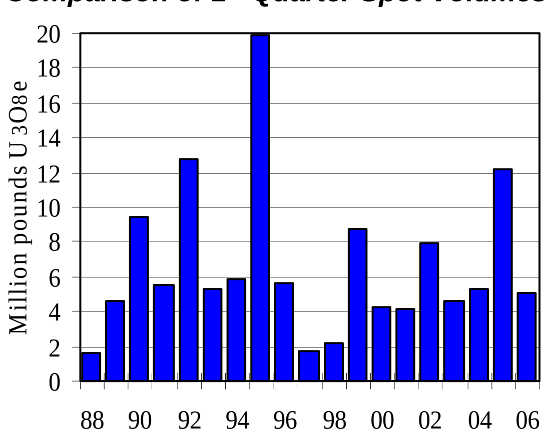
One of the increases of formal activity has actually stemmed from the emergence of auction-type spot sales. USEC and a U.S. producer have put up several lots of material that have all resulted in sales. The U.S. Department of Energy also currently has over half a million pounds U_3O_8 contained in UF_6 up for sale under an RFP, with bids submitted just before the end of the quarter. It is interesting to note that all of the lots that have been put up for sale over the past year using this method have resulted in completed deals.

Need – When looking at spot purchases on the basis of need, we categorize deals as either actual or discretionary. Discretionary purchases include inventory building by utilities, trader and supplier purchases that are not to fill specific pre-existing contractual commitments within 12 months, and now any investor-related purchases. Since the early 1990s, only about a quarter of the spot volume each year has been reported under this category. However, last year, the majority of spot volume (two-thirds) was classified as discretion-

Ux Weekly Uranium Spot Prices



Comparison of 1st Quarter Spot Volumes



ary. This activity has declined somewhat recently, but discretionary purchases still accounted for half of the quarter's volume (see chart below).

Buyers – Although some utility purchasing has been reported this year, utilities still are taking somewhat of a backseat to producer and trader/other buying. Producers made up the largest segment during the first quarter, accounting for almost half of the overall volume. Traders, other suppliers, and investors also posted 17% of the purchase volume. U.S. and non-U.S. utilities combined to account for about 35% of the quarter's spot volume. This is an increase over last year's annual average for utility activity, which was just shy of 30%, but still a far cry of this group's historic 65% average.

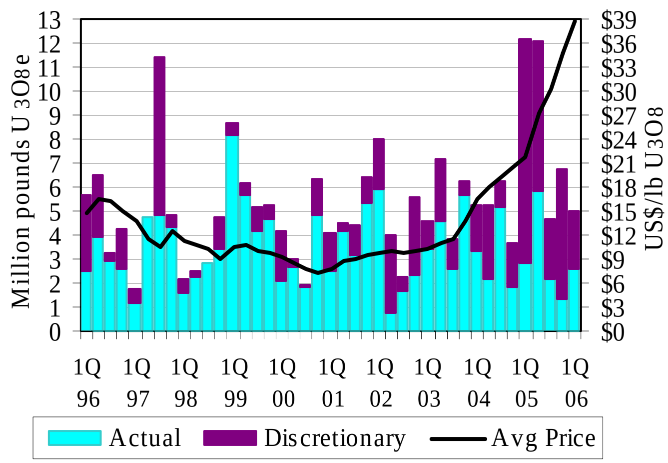
Sellers – On the seller's side, it is not surprising to see that traders/others (including unspecified sellers) make up the majority of sales, with uranium producers only accounting for 12% of the volume, and no utility sales reported.

Price – The biggest story in the spot uranium market continues to be the movement in spot price. Over the past quarter, the Ux U_3O_8 Price climbed from its 2005 ending point of $36.25 per pound to the $40.50 level at the end of March. This movement represents another 12% increase over the 75% increase that was posted during 2005. Since early 2003, when the price was $10.10, the spot uranium price has now increased 300%.

Taking a look at the trend over the past two and a half years (see chart on page 1), we see that with the exception of a lull in spot price movement in late 2004 and early 2005, the spot price has been on a fairly straight-line increase. It should be noted that during this lull period, the term price continued its own climb trend forming a considerable gap with the spot price and contributing to the price jump in early May 2005. Reports that straight U_3O_8 secondary supplies have been limited over the past year have contributed to the continued upward pressures. Reports have also indicated that traditional spot sellers have been as much or more interested in buying than selling over the past year, further increasing upward pressures.

Spot Outlook – Spot activity is expected to continue at average levels over the next quarter, although utilities are still not expected to be the primary buyers. While volume during the second quarter could come in again at average levels, activity could be somewhat sporadic. The spot price remains under upward pressure; however, depending on the amount and frequency of activity, spot price movements could also be more sporadic.

Quarterly Spot Volume vs. Ux Average Price



Uranium Spot Market Statistics

(Million pounds U_3O_8 equivalent)

	2003					2004					2005					2006
	1Q	**2Q**	**3Q**	**4Q**	**Yr.**	**1Q**	**2Q**	**3Q**	**4Q**	**Yr.**	**1Q**	**2Q**	**3Q**	**4Q**	**Yr.**	**1Q**
Total Volume	**4.5**	**7.2**	**3.8**	**6.2**	**21.7**	**5.3**	**5.2**	**6.2**	**3.7**	**20.4**	**12.2**	**12.1**	**4.7**	**6.8**	**35.7**	**5.0**
# Transactions	11	24	12	22	**69**	22	17	21	11	**71**	36	34	15	25	**110**	21
Leadtime (mths)	3.9	5.0	3.8	7.9	**5.5**	5.7	5.6	5.4	2.3	**5.1**	5.4	4.6	4.4	2.9	**4.4**	3.4
Form																
U_3O_8 Total	2.9	4.4	3.8	4.0	**15.2**	3.3	2.0	3.1	1.0	**9.3**	5.6	7.7	2.0	5.1	**20.4**	2.5
UF_6 Total	1.6	2.7	0	2.2	**6.5**	2.0	3.3	3.1	2.7	**11.0**	6.2	4.4	2.6	1.6	**14.8**	2.3
EUP Total	0.1	0	0	0	**0.1**	0	0	0	0	**0**	0.3	0.0	0.0	0.1	**0.5**	0.2
Need																
Actual	3.4	4.6	2.6	5.7	**16.3**	3.3	2.1	5.2	1.8	**12.5**	2.8	5.9	2.2	1.3	**12.2**	2.6
Discretionary	1.1	2.6	1.3	0.5	**5.5**	1.9	3.1	1.0	1.8	**7.9**	9.3	6.2	2.5	5.4	**23.4**	2.4
Method																
On-market	3.9	3.5	2.8	2.0	**10.2**	0.8	0.7	0.8	0	**2.2**	0.8	4.5	0.6	0.9	**5.9**	1.6
Off-market	0.6	3.7	1.0	4.2	**9.5**	4.5	4.6	5.4	3.7	**18.2**	11.4	7.6	4.0	5.8	**28.8**	3.4
Buyers																
U.S.	2.3	2.2	1.3	4.5	**10.2**	2.19	4.52	2.98	0.89	**10.6**	5.9	1.7	1.16	1.74	**10.5**	2.2
Non-U.S.	2.3	5.0	2.5	1.8	**11.5**	3.1	0.7	3.24	2.77	**9.8**	6.3	10.3	3.52	5.01	**25.1**	2.8
Sellers																
U.S.	0.6	1.5	0	1.3	**3.3**	1.13	0.73	1.86	0.92	**4.6**	4.1	2.1	2.03	2.77	**11.0**	2.1
Non-U.S.	3.9	5.7	3.8	5.0	**18.4**	4.16	4.49	4.36	2.74	**15.7**	8.1	10.0	2.65	3.99	**24.7**	2.9

News Briefs

Australia, China sign nuclear material transfer and cooperation agreements

Australia and China have signed two agreements that open the way for Australia to supply uranium to China's growing nuclear energy industry. The nuclear material transfer agreement and nuclear cooperation agreement put in place strict safeguards to ensure that Australian uranium supplied to China will be used only to generate electricity, and not earmarked for China's nuclear weapons program. Australian Foreign Minister Alexander Downer and his Chinese counterpart, Li Zhaoxing, signed the agreements in the presence of visiting Chinese Premier Wen Jiabao and Australian Prime Minister John Howard.

Resources Minister Ian Macfarlane said the exports to China will not start for at least two years because Australia's total uranium production is fully committed until at least 2008. Australian officials added that the nuclear agreements would lead to exports of 20,000 tonnes of uranium to China per year – double Australia's current exports of uranium.

Prime Minister Howard said he was satisfied safeguards would be enforced. "It's on that basis that the agreements have been signed," he told reporters. Premier Wen Jaibao said China is a responsible nation, a member of the International Atomic Energy Agency (IAEA) and a signatory to the Nuclear Non-Proliferation Treaty (NPT). He said China will surely observe the provisions and regulations laid out by the IAEA and the NPT. When asked if Labor's three mines policy could hamper uranium supply to China, Mr. Howard said the opposition policy already appeared to be crumbling. South Australian Premier Mike Rann and federal Labor resources spokesman Martin Ferguson have both expressed a desire for the policy to be revisited.

While the agreement does not appear to mention the issue of Chinese exploration, a spokesman for Mr. Downer said China had always had the ability to explore for uranium in Australia. Like other countries, Chinese companies would have to get mineral exploration licenses from state governments to undertake exploration. However, previously they would not have been able to export their uranium to China since a bi-lateral agreement was not in place.

Comurhex's Malvesi conversion plant resumes operation

According to a press release from Areva subsidiary Comurhex, UF_4 production at the Malvési conversion facility resumed on March 29. Comurhex expects UF_6 production at its Pierrelatte facility to resume within a few days. Both Malvesi and Pierrelatte went offline in February due to excessive rainfall that kept the company from being able to store waste until a new 70,000 cubic meter basin was constructed. Comurhex does not expect short-term or long-term UF_6 deliveries to be affected by the outages.

Progress Energy seeks changes to make building new reactors in Florida easier

On March 30, the *St. Petersburg Times* reported that Progress Energy has drafted bills now being evaluated by the Florida legislature that would make the construction of new reactors easier. Progress Energy is now evaluating potential locations for new reactors in Florida and expects to select a site by June. The bills under consideration by the legislature would enable the utility to charge consumers for the licensing costs and other preconstruction expenses incurred by seeking to build new reactors before the units begin operation. In addition, the proposed new rules would eliminate other obstacles to construction of new reactors in Florida by reducing the ability of local government's to block construction of transmission lines for nuclear power plants, and eliminating a requirement for state regulators to consider competing proposals from other utilities. According to Progress Energy spokesman C.J. Drake, allowing the utility to charge consumers sooner for

Industry Calendar

- April 3-7, 2006
  The Fourth All-Russian Energy Forum
  Council Federal Assembly
  http://www.rusnet.nl/
  Moscow, the Kremlin
- April 4-6, 2006
  World Nuclear Fuel Cycle Conf.
  World Nuclear Association
  http://www.world-nuclear.org/
  Nuclear Energy Institute
  http://member.nei.org/
  Sheraton Hong Kong Hotel & Tower, Kowloon, Hong Kong
- May 8-9, 2006
  Nuclear Energy Conference
  Platts
  http://www.platts.com/
  Radisson SAS Boulogne
  Paris, France
- May 17-19, 2006
  NEI Nuclear Energy Assembly
  Nuclear Energy Institute
  http://member.nei.org/
  The Fairmont San Francisco
  San Francisco, CA, USA
- June 4-6, 2006
  WNFM 33rd Annual Meeting
  World Nuclear Fuel Market
  http://www.wnfm.com/
  Seattle Marriott Waterfront
  Seattle, Washington, USA
- June 27-29, 2006
  UxC Utility Nuclear Fuel Procurement Seminar
  The Ux Consulting Company, LLC
  http://www.uxc.com/
  Embassy Suites Buckhead
  Atlanta, Georgia, USA
- July 16-18, 2006
  U.S. WIN 2006 Conference
  Women in Nuclear/NEI
  http://member.nei.org/
  The Westin Convention Center
  Pittsburgh, Pennsylvania, USA
- July 25, 2006
  NEI Nuclear Fuel Supply Forum
  Nuclear Energy Institute
  http://member.nei.org/
  The Willard Inter-Continental
  Washington, D.C., USA

Details are available at: http://client.uxc-subscriber.com/data-industry/uxc-calendar.aspx preconstruction expenses would reduce costs to customers over the long term.

In related news, Progress Energy has published a report on global warming that calls for a national policy to deal with climate change, according to a March 27 press release from the utility. “Progress Energy recognizes the importance, scale and complexity of global climate change. Addressing this issue and other environmental challenges will require a balanced solution, including more conservation and efficiency programs, clean coal and nuclear generation, and the development and use of advanced and renewable technologies,” said Progress Energy chairman Bob McGehee. The complete report is available at http://www.progress-energy.com/environment/climatechange.asp.

Entergy’s uprate process for Vermont Yankee moves forward

Entergy completed the second stage of its uprate at Vermont Yankee after locating the source of a sound that halted the uprate process, according to articles from the *Brattleboro Reformer* and the *Associated Press*. Vermont Yankee’s power level rose five percent in early March, but progress was temporarily halted when vibrations were discovered. After determining the source of the vibrations, Entergy received permission from the Nuclear Regulatory Commission to continue boosting the reactor’s power level. The second phase of the uprate process, which was completed at 6:30 p.m. on April 1, also involved a 5 percent increase. “At this current plateau, the plant is producing an additional 53 megawatts for the New England electrical grid,” said Entergy spokesman Robert Williams in a quote to the *Associated Press*. Entergy expects to complete the third phase of its uprate process on Wednesday, and could fully complete its 20 percent uprate of Vermont Yankee by Sunday, April 9, which would boost the reactor’s power level to around 650 megawatts.

BNFL gets government approval to sell British Nuclear Group

The UK government has granted approval for British Nuclear Fuels Ltd. to sell British Nuclear Group, according to a March 30 BNFL press release. “We now look forward to working closely with the Nuclear Decommissioning Authority to develop the criteria against which preferred bidders will be selected. I expect that there will be significant interest from potential purchasers,” said BNFL chief executive Michael Parker. According to *BBC News*, when bidding begins, offers of around £1 billion (US$1.7 billion) are likely. The bidding process is expected to start in early 2007, and the sale is expected to be completed later that year. British Nuclear Group is responsible for running the UK’s Sellafield reprocessing complex, as well as various nuclear decommissioning projects throughout the UK under contract with the UK Nuclear Decommissioning Authority (NDA). The company also operates the nation’s Magnox reactors. “The right buyer will enable us to complement our skills with theirs to create a powerful player in the global nuclear clean-up market and ‘raise the bar’ in terms of subsequent competitions. This delivers enhanced value to the NDA by accelerating nuclear clean-up in the UK,” said the chief executive for British Nuclear Group, Lawrie Haynes.

AREVA has not yet given up on winning Chinese reactor tender

According to an *AFX News* article, AREVA is holding out hope that it will win a tender for the construction of four reactors at two new nuclear power plants in China despite reports that China is now conducting exclusive negotiations with Westinghouse. Westinghouse has allegedly agreed to a greater degree of technology transfer than AREVA has been willing to provide. “We are in the tender process which is underway and hope to satisfy China’s requirements in coming weeks or in coming months,” stated AREVA China chairman Arnaud de Bourayne.

Nuclear power overshadows energy summit

Differences over nuclear power threatened to overshadow an “energy summit” called today by German Chancellor Angela Merkel, which is aimed at boosting energy security for Europe’s biggest economy. Chancellor Merkel, Economy Minister Michael Glos, and Environment Minister Sigmar Gabriel will meet with top managers from German utilities and other major firms to begin work on a new long-term energy policy. Although no breakthroughs are expected, public debate on nuclear energy is likely to intensify as a result.

A paper for the summit penned by CDU/CSU members of parliament said that nuclear energy “remains a competitive CO_2-free form of energy that is absolutely essential for the foreseeable future.” Christain Wulff, the conservative premier of the state of Lower Saxony, said Germany’s precarious economic recovery could not afford an increase in already-high power costs. “Billions of euros of investments depend on energy prices,” he said in an interview with the newspaper *Bild am Sonntag*. “We need an appropriate energy mix that is not based on ideology but on technology, environmental friendliness and price.”

But Environment Minister Gabriel of the SPD told the newspaper *Welt am Sonntag* that there was no need for nuclear energy and that even coal, used to produce half of Germany’s electricity, was undergoing a “renaissance.” He also said that “by 2020 it will be possible to cover 20 to 25 percent of our energy demand with renewable resources.” Conservative Economy Minister Michael Glos, who has been trading barbs with Gabriel on the issue for two weeks, said that in a world where nuclear power was coming back into vogue, Germany risked isolation.

Russia begins SWU shipments to India's Tarapur NP

According to *The Hindu*, Russia has begun shipping enriched uranium for Units 1 and 2 at India's Tarapur nuclear power plant. A batch of 20 to 25 tons of LEU has arrived in India and an additional 40 to 45 tons is to be sent later. The 60 tons of LEU that Russia plans to send to India will be sufficient to last the two 150 megawatt boiling water reactors until 2011 or 2012. Russia has stated that the supply of the LEU is an emergency situation and thus does not violate the Nuclear Suppliers Group restrictions now in place against India.

URI restructures sales contracts, enters JV with Itochu to develop Churchrock

Uranium Resources Inc. (URI) reported March 31 that it has restructured its long-term sales contracts, with each of the new contracts calling for delivery of one-half of the company's actual production from its Vasquez property and other properties in Texas currently owned or hereafter acquired by URI. Under both restructured contracts, the price will be market related at the time of delivery less a discount ranging from 4% to $6.00 to $7.50 per pound, depending on the source of production.

The Itochu contract has a floor and ceiling under which URI should receive at least $30 per pound. URI and Itochu have a sharing arrangement with respect to market prices above the ceiling. The floor and ceiling and sharing arrangement applies to the first 3.65 million pounds of deliveries, after which there is no floor or ceiling and the price will be a discount to then market prices. Itochu has the right to cancel any deliveries on six month's notice. In consideration of Urangessellschaft's (UG) agreement to restructure its previously existing contracts, URI has agreed to pay UG $12 million in cash by June 30, 2006, subject to URI's ability to raise the cash. The company is actively seeking the funding.

URI also announced that it has entered into a non-binding letter of intent (LOI) with Itochu to joint venture the development of its Churchrock property in New Mexico. Itochu will fund all development costs currently estimated at $32 million primarily through a debt facility that it will provide. Itochu and URI will split the profits on a 50-50 basis, and URI will be the managing partner and receive a management fee. For revenues from uranium sales in excess of $30 per pound, URI will receive additional payments under the joint venture. The company estimates that the Churchrock property will yield about 12 million pounds U_3O_8 over the life of the project. A definitive agreement on the JV is expected to be signed by July 1, 2006.

Further, the revised uranium sales contract with Itochu is contingent on URI using good faith efforts to negotiate and enter into the definitive joint venture agreement. If URI fails to use good faith efforts, the original contract terms with Itochu will be reinstated effective for all deliveries after the occurrence of such determination. Under the terms of the JV, both parties must make an investment decision after completing a feasibility study. Itochu is funding $675,000 for the cost of the study.

URI also announced that it expects to commence production at Kingsville Dome in April, with sales starting in the second quarter of 2006. Additionally, the company plans to acquire additional known uranium deposits within the South Texas uranium trend. Feed would be processed through the currently idle Rosita plant. URI plans to upgrade Rosita by adding an elution circuit and a yellowcake dryer. The funds for the upgrade are contingent on closing of the private placement of a minimum of $25 million and up to $45 million in value of shares of its common stock to accredited investors. Lastly, URI's Board of Directors approved a 1 for 4 reverse stock-split on March 29, as well as plans to list the company with the NASDAQ National Market in the near future.

Cameco to acquire 19.5% of Hornby Bay Exploration

On April 3, Hornby Bay Exploration announced that it entered into a Memorandum of Understanding with Cameco Corporation to form a strategic alliance and for Cameco to subscribe for a non-brokered private placement of shares representing a 19.5% ownership of Hornby Bay at a price of $0.40 per share. The parties intend that the closing of the transaction will occur on or before May 5, 2006.

The proposed strategic alliance includes terms that dictate as long as Cameco maintains ownership of at least 16% of the issued and outstanding shares of Hornby Bay, Cameco will have the right to participate in any future equity issuances by Hornby Bay, to match any equity or debt funding required by Hornby Bay for development of a mine, to operate any mine developed, to provide milling capacity and market any uranium produced by Hornby Bay. For as long as Cameco maintains at least 10% of issued and outstanding shares of Hornby Bay, Cameco will have the right to nominate one person for election to Hornby Bay's Board of Directors and Hornby Bay will consult Cameco concerning exploration, development and mining technical work programs. Additionally, each party will have first right of refusal to purchase from the other any uranium exploration projects the other may wish to sell in a specified area of western Nunavut or eastern North West Territories.

Cameco supports development of northern manufacturing plant

In a March 31 press release, Cameco reported that it signed an agreement with Points Athabasca Contracting Ltd. (PACL) to purchase high-strength concrete tunnel liners for the Cigar Lake project. The agreement will lead to the development of a manufacturing facility with seasonal employment for 15 people at Points North, Saskatchewan, located about 800 kilometers north of Saskatoon. The concrete segments are used to reinforce tunnels underground to ensure safe mining conditions. The estimated value of the work is C$40 million.

"This will be the first significant manufacturing operation developed in northern Saskatchewan to serve the uranium mining industry," said Jerry Grandey, Cameco's president and CEO. "It will supply critical components for the Cigar Lake project and will create capacity for PACL to develop other regional business opportunities." Cameco has set a target of purchasing at least 75% of the contracted services at its northern minesites from northern Saskatchewan businesses.

Uranium One reports 2005 year-end results

On March 31, sxr Uranium One Inc. reported audited financial results for the year ended December 31, 2005. The company reported a 2005 operating loss of C$27.3 million and a net loss of C$41.7 million in connection with its growth plans. Commenting on the coroporation's progress, Neal Froneman, president and COE of Uranium One said, "2005 was a year of significant progress and accomplishments. The merger of the former Southern Cross and Aflease created a mid-tier uranium and gold exploration and mining company, with an exciting portfolio of exploration and development assets in South Africa. We look forward to completing feasibility studies for the first phase of the Dominion project and for the Honey moon project later this year and to advancing Dominion to uranium production in the first quarter of 2007."

IUC posts drill results from '527' and '525' zones at Moore Lake

International Uranium Corporation (IUC) announced initial drill results from the ongoing winter diamond drilling program at the Moore Lake uranium project, located in the Athabasca Basin of northern Saskatchewan, on March 29. Results to date are from the '527' and '525' zones, two recently discovered uranium mineralized zones along trend with the Maverick zone. Highlights from the '527' zone include ML-101 which returned an assay of 1.53% U_3O_8 over 6.6 meters, including 2.22% U_3O_8 over 4.0 meters. ML-106 returned an assay of 0.402% U_3O_8 over 4.5 meters, including 1.06% U_3O_8 over 1.5 meters.

The '525' zone was also tested by three holes, two of which intersected on the hanging wall side of the target, while the third intersected low-grade basement mineralization. ML-107 returned an assay of 0.226% U_3O_8 from a 4.5-meter interval of sandstone immediately above the unconformity. ML-107 returned a 3.0-meter interval assaying 0.052% U_3O_8 near the base of a unit of basement rocks. According to IUC, this interval correlates well with a low-grade intersection at the base of the graphitic pelites in ML-525.

A total of 28 holes comprising 10,210 meters have been drilled to date and three drills are currently operating. In addition to the '527' and '525' zones, targets on the Nutana, West Venice, Venice, Rarotonga and Avalon grids have also been drilled. Additional results will be released once they have been received and interpreted.

Forsys reports initial drill results at Valencia project

On March 28, Forsys Metals Corp. reported partial results from diamond drilling and historical core sampling programs on its 90%-owned Valencia uranium property in Namibia. These partial results were obtained from one new drill hole and two historical re-sampled core holes. The most significant intervals from the drill program and historical core sampling include: 15.79 meter grading 0.462 kg/t U_3O_8 in drill hole VA26-111 from 228.7 m to 244.5 m, and 12.42 m grading 0.228 kg/t U_3O_8 in drill hole VA26-098 (historical hole re-sampled) from 104.1 m to 116.5 m.

Forsys is continuing to drill with three diamond drill rigs; two on the main Valencia body and one exploring the East Zone. To date, a total of 13 drill holes comprising 3,912 m of a 5,600 m expanded program have been completed. Additional drill holes are being planned to further improve on the continuity of the mineralized zones based on these initial results. A further 211 assays are expected shortly from two different laboratories. Export samples are being prepared for a further +/- 500 samples.

UN Security Council resolution calls on Iran to halt enrichment

The UN Security Council has voted unanimously to call upon Iran to halt its enrichment activities. The resolution gives Iran 30 days to work with the International Atomic Energy Agency. "It's a strong message we're sending to Iran – that Iran has to comply with the resolution and the requests made by the board of governors of the IAEA," stated French Ambassador Jean-Marc de la Sabliere in a quote to *CNN*.

Starfire acquires Montreal River uranium prospect

Starfire Minerals Inc. announced April 3 that it has optioned 100% interest in a group of claims prospective for uranium in the Montreal River area of Central Ontario in Slater and Smilsky Townships. The area lies north of Sault Saint Marie, Ontario, close to the Trans Canada Highway.

The property contains a number of uranium showings, apparently controlled by shear and fault structures in conjunction with two major unconformities within the stratigraphic section of the Precambrian in this region. Pitchblende-bearing veins up to several inches thick occur in shear zones in the vicinity of the unconformities. Starfire said that this configuration of structural features and unconformities, combined with the presence of uranium mineralization has prompted various workers to draw comparisons of this uranium occurrence with the Beaverlodge area and the Athabasca Basin.

Starfire will commence exploration on this property as weather permits in the spring of 2006. The conceptual exploration target-types for this prospect include the various possibilities for "blind" (buried or covered) structurally and stratigraphically controlled pitchblende (uranium) mineralization.

URA offers farm in pact with Western Metals

Uranium Resources (URA), a British uranium exploration and development company, reported April 3 that it has offered a farm in agreement to Western Metals (WMT), a company listed on the Australian Stock Exchange. Under the agreement, WMT may earn a 40% interest in the company's Tanzanian prospecting licenses by spending A$2 million on the licenses on or before the second anniversary of the agreement becoming unconditional. WMT may increase its interest to 60% by spending a further A$2 million within two years. WMT must spend A$500,000 within 12 months of the completion of the agreement, said URA.

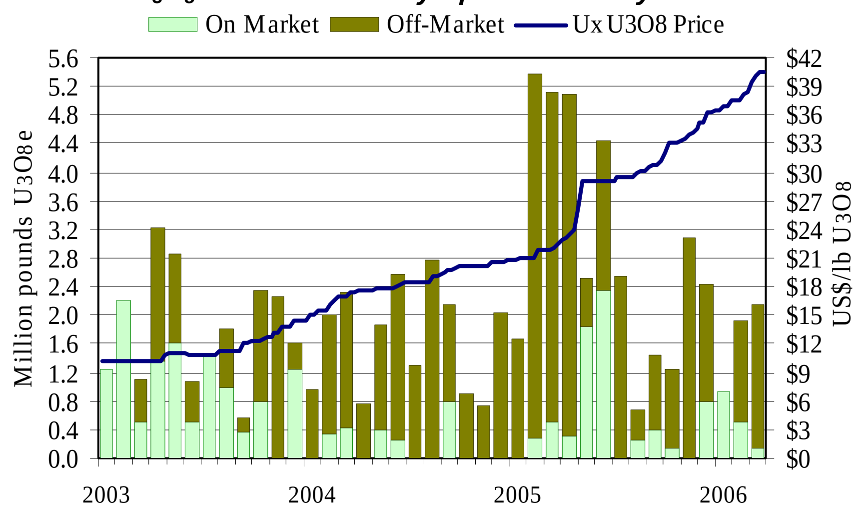
Trial operation begins at Rokkasho reprocessing plant in Japan

On March 31, test operation began at the Rokkasho reprocessing plant in Japan. The facility is scheduled to become fully operational in August 2007, and is expected to be able to reprocess 800 tons of spent fuel into 4 tons of plutonium per year. During its 17-month trial period, Rokkasho will convert 430 tons of spent fuel into plutonium and uranium. By 2011, Japan plans to use Mox fuel at 16 to 18 of its 55 reactors. "It is a big step forward for Japan to get stable energy supplies. We will proceed with the project while placing a priority on safety," said Isami Kjima the president of Japan Nuclear Fuel Ltd. in a quote to *Bloomberg*. Construction on the Rokkasho reprocessing plant began in 1993 and costs rose to ¥2.19 trillion (US$18.6) billion due to delays and technical problems.

Senate confirms Spurgeon's nomination as Assistant Secretary for Nuclear Energy

On March 27, by a vote of 88-0, the U.S. Senate confirmed former USEC vice president and chief operating officer Dennis Spurgeon's nomination as Assistant Secretary of Energy for Nuclear Energy, according to a press release from the U.S. Senate Committee on Energy and Natural Resources. "With the confirmation of Dennis Spurgeon to the position of Assistant Secretary of Nuclear Energy, this post has been restored to the position of importance it merits. Mr. Spurgeon has had a distinguished career in government and the private sector. He brings remarkable experience to the Department of Energy," said Energy and Natural Resources Committee chairman Pete Domenici.

Ux U_3O_8 Price vs. Monthly Spot Volume by Method



Ux Price Indicator Definitions

The Ux Prices indicate, subject to the terms listed, the most competitive offers available for the respective product or service of which The Ux Consulting Company, LLC (UxC) is aware. The ***Ux U_3O_8 Price*** *(Spot) includes conditions for delivery timeframe (6 months), quantity (100-300,000 pounds), and origin considerations, and is published weekly. The* ***Ux LT U_3O_8 Price*** *(Long-Term) includes conditions for escalation (from current quarter), delivery timeframe (≤ 24 months), and quantity flexibility (up to ±10%) considerations. The* ***Ux Conversion Prices*** *consider offers for delivery up to twelve months forward (Spot) and base-escalated long-term offers (**LT**) for multi-annual deliveries with delivery in North America (**NA**) or Europe (**EU**). The* ***Ux NA UF_6 Price*** *includes conditions for delivery timeframe (6 months), quantity (50-150,000 kgU), and delivery considerations. *The* ***Ux NA*** *and* ***EU UF_6 Values*** *represent the sum of the component conversion and U_3O_8 (multiplied by 2.61285) spot prices as discussed above and, therefore, do not necessarily represent the most competitive UF_6 spot offers available. The* ***Ux SWU Price*** *(Spot) considers spot offers for deliveries up to twelve months forward for other than Russian-origin SWU, while the* ***Ux RU SWU Price*** *pertains to the spot delivery of Russian-origin SWU. The* ***Ux LT SWU Price*** *(Long-Term) reflects base-escalated long-term offers for multi-annual deliveries. All prices, except for the weekly Ux U_3O_8 Price, are published the last Monday of each month. (Units: U_3O_8 = US$ per pound, Conversion/UF_6: US$ per kgU, SWU: US$ per SWU) The Ux Prices represent neither an offer to sell nor a bid to buy the products or services listed. **The Euro price equivalents are based on exchange rate estimates at the time of publication and are for comparison purposes only.*

The Ux Consulting Company, LLC
1401 Macy Drive
Roswell, GA 30076, USA

Phone: **(770) 642-7745**
Fax: **(770) 643-2954**
Internet: **http://www.uxc.com/**

The Market

March Market Review

Over the past month, a total of 11 spot transactions have been reported. Of this total, seven involved straight U_3O_8, two were as UF_6, and one each of EUP and SWU. In the term market, four deals were reported, three involving straight U_3O_8 and one as EUP. Summary volumes are included in the table below.

Uranium

Offers were due last week to the U.S. Department of Energy for 200 MTU of UF_6 with delivery split over April to June. Based on its RFP, award will be made no later than Friday of this week (April 7th). Although spot activity is relatively light, indications are that offer and bid prices continue to rise, especially for deliveries that are further out in the future, attesting to the continued tightness in supply. Consequently, the Ux U_3O_8 Price increases $0.50 for the week to $41.00 per pound.

In the term market, a couple of non-U.S. utilities are reported as making selections recently, bringing the term volume to 18.6 million pounds U_3O_8e. A U.S. utility has just entered the market seeking 650,000 pounds U_3O_8 with delivery in 2009 and up to one million pounds U_3O_8e as UF_6 with delivery in 2008-2011. Offers are due April 27th. Offers are due next week (April 12th) to a non-U.S. utility seeking 4.5 million pounds U_3O_8 with delivery in 2008-2013, with two-thirds of the delivery volume in the first three years. Then on April 14th, a U.S. utility has offers due for up to 18 million pounds as either U_3O_8 or UF_6 with delivery in 2009-2018 and the bulk of material by 2013. A non-U.S. utility has offers due April 21st for just over one million pounds U_3O_8 with delivery in 2007-2010 and options through 2015. Another non-U.S. utility received offers last week for about four million pounds U_3O_8 with delivery in 2010-2014. Four other utilities continue to evaluate offers: the first for 1.6 million pounds in 2009-2012, the second for up to 11 million pounds U_3O_8e in 2007-2016, the third for about 3.5 million pounds U_3O_8 in 2006-2009, and the last for about 1.5 million pounds with delivery in 2009-2011. Several other utilities are also active pursuing more quiet discussions.

Ux Price Indicators (€ Equiv**)			
Weekly (4/3/06)		1 US$ =	.82444€
Ux U_3O_8 Price		**$41.00**	€33.80
Mth-end (3/27/06)		1 US$ =	.83287€
U_3O_8	Spot	**$40.50**	€33.73
	Long-Term	**$42.00**	€34.98
Conversion	NA Spot	**$11.50**	€9.58
	NA Term	**$12.00**	€9.99
	EU Spot	**$12.00**	€9.99
	EU Term	**$13.00**	€10.83
UF_6 Spot	NA Price	**$117.50**	€97.86
	NA Value*	*$117.32*	€97.71
	EU Value*	*$117.82*	€98.12
SWU	Spot	**$122.00**	€101.61
	Long-Term	**$122.00**	€101.61
	RU Spot	**$98.00**	€81.62

Conversion & Enrichment

A sigh of relief can be heard in the conversion market as AREVA released an update that its Comurhex plant has now restarted production (see page 3). Several utilities continue to evaluate or await offers for both straight conversion and UF_6 term coverage.

More than a half dozen utilities are actively evaluating term offers for enrichment services. In addition, several buyers are continuing to pursue spot purchases as well.

UxC Market Statistics

Monthly (Mar)	Spot Volume	Spot # Deals	Term Volume	Term # Deals
U_3O_8e (million lbs)	2.1	10	11.2	4
Conv. (thousand kgU)	282	2	1,062	1
SWU (thousand SWU)	W	2	780	1
2006 Y-T-D	**Spot Volume**	**Spot # Deals**	**Term Volume**	**Term # Deals**
U_3O_8e (million lbs)	5.0	21	18.6	7
Conv. (thousand kgU)	1,035	9	2,312	2
SWU (thousand SWU)	W	2	9,211	8

Key: N/A – Not available. W – Withheld due to client confidentiality.

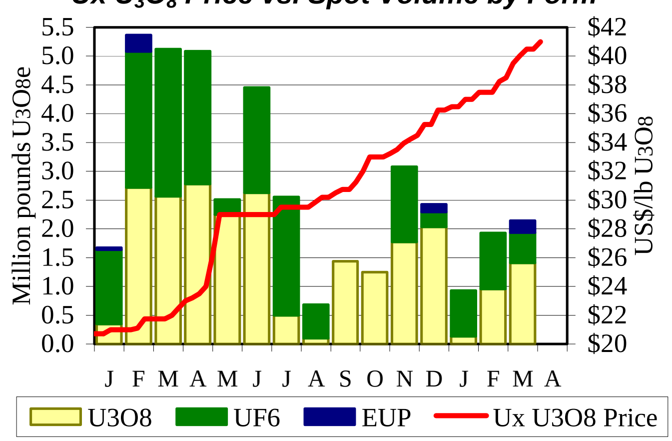
UxC Leading Price Indicators

Three-month forward looking price indicators, with publication delayed one month. Readings as of Mar. 2006.

Uranium (Range: -17 to +17)	**+11**	[unchanged]
Conversion (Range: -16 to +16)	**+3**	[up 5 points]
Enrichment (Range: -18 to +18)	**+10**	[unchanged]

NuclearFuel Price Range – 3/27/06 (US$/lb)		**$41.00-$42.50**
RWE NUKEM	Spot Uranium (US$/lb U_3O_8)	**$39.25-$40.50**
Price Ranges	Spot Conversion (US$/kgU)	**$11.25-$11.50**
As of 3/31/06	Spot SWU (US$/SWU)	**$95.00-$114.00**

Ux U_3O_8 Price vs. Spot Volume by Form



Lunch and Learn

The company I work for sometimes puts on what they call "Lunch and Learn" seminars during the employees' lunchtime. These seminars deal with a variety of physical and mental health issues. If the seminar lasts beyond the normal lunch hours, we're supposed to get managerial approval to attend. So, last week, this flier came around:

LUNCH AND LEARN SEMINAR:
WHO'S CONTROLLING YOUR LIFE?
(Get your manager's permission before attending)