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Ux Weekly

The Leading Source For Timely Market Information

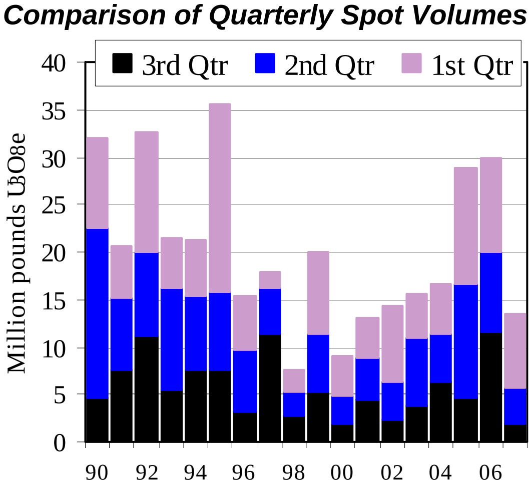
Ux U_3O_8 Price: (*10/15/07*)
\$78.00 (+\$3.00)

Ux LT U_3O_8 Price: (*9/24/07*)
\$95.00

Third Quarter Spot Uranium Review

One is tempted to ascribe this summer's extremely low level of spot activity to a return to tradition; however, as we have seen over the past several years, the spot market has been anything but traditional. Prior to the start of the market recovery in 2003, the summer had been a time of vacation and, in most cases, a slowdown of spot activity. This year, July and August were not only vacation months, but the period that followed the rapid ascension of price to historic highs. Once price reached \$136, speculative buying, which helped catapult price to these levels, fell dramatically, and several auctions were aborted as sellers did not see the price levels they expected. However, the U.S. Department of Energy (DOE) decided to hold an auction in August, and ended up auctioning off eight lots totaling about 200 MTU as UF_6 (~520,000 pounds U_3O_8 equivalent). This amount was down from the 1.8 million pounds U_3O_8e DOE sold last summer, but came at a time of decreasing, not increasing, spot demand, as opposed to 2006.

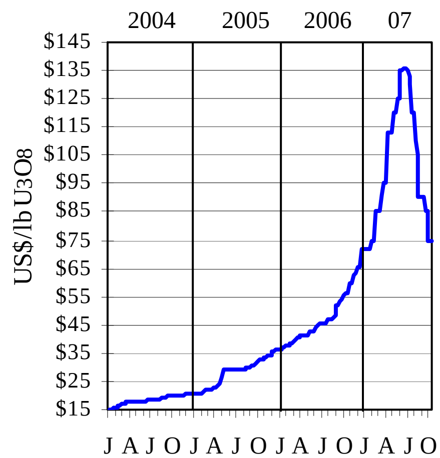
Comparison of Quarterly Spot Volumes



Price – Last quarter, we reported a 43% increase in the spot uranium price, hitting a high of \$136 per pound at the end of the quarter. This price peak represented an 89% increase since the beginning of the year, and a 1,815% increase since the end of 2000 when price had bottomed at \$7.10 per pound. The first week of the third quarter brought with it the first reported price decline since June 2003, and subsequent weeks brought additional weakness, which had not been seen in the market since late 2000. By the end of July, the Ux U_3O_8 Price had moved down to \$120.00 per pound. As shown in the chart at right, the price then fell an additional \$30 in August, although it slowed its descent in September, ending the month at \$85.00 per pound. For the quarter, the spot price declined a total of 38% from its peak.

Volume – The first quarter of 2007 posted 25 deals totaling 7.8 million pounds U_3O_8e, with the second quarter posting a similar 22 deals, but about half the volume at 3.7 million pounds U_3O_8e. Spot activity fell dramatically over the past quarter, with only 12 deals being posted involving a little over 1.8 million pounds. The third quarter's record low volume (the lowest level since the first quarter of 1988) is punctuated by the fact that over half of the volume was the result of deals done during the last week. Total spot volume for the year now stands at 14.9 million pounds U_3O_8 under 68 spot transactions (this includes early fourth quarter volume as discussed below). As shown in the lower left chart, overall volume is down from the last two years, but in line with that in the four years prior to 2005.

Ux Weekly Uranium Spot Prices



The overall size of spot purchases has also declined over the past two quarters. The decline is in part due to a number of parties now seeking to buy much smaller volumes based on budget limitations. Last quarter, that average dropped to about 153,000 pounds per transaction, falling slightly from the second quarter's 170,000 pound average, and about half of the historical average of 300,000 pounds per transaction.

Form – Of the 12 transactions reported during the third quarter, seven deals were for straight U_3O_8, accounting for about 750,000 pounds. The remaining five deals for just over one million pounds U_3O_8e were as UF_6. As with the second quarter, the volume breakdown between the forms reflects that the average size of UF_6 deals was much larger than the U_3O_8 counterparts. While demand for UF_6 fell considerably during the second quarter, the DOE and recent trader offerings of UF_6 helped add to this form's volume over the past quarter.

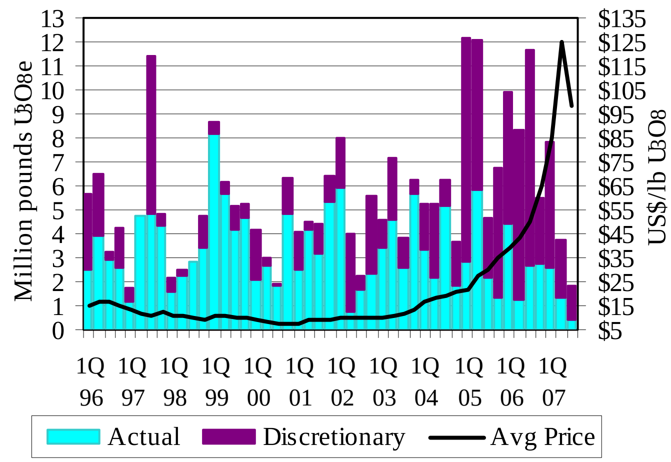
Method – Although quiet discussions remain the norm with respect to spot activity, so-called off-market volume witnessed a large decline in share last quarter, accounting for just under 27% of the overall volume (see chart on page 6). As with the second quarter, this shift was primarily the result of additional auction-like sales during the quarter. Almost all buyers slowed their purchasing activity over the past quarter; therefore, the results of the two UF_6 "offerings" represented a large portion of the third quarters' record low volume.

Need – The slowdown of discretionary buying has been one of the factors why overall spot volume levels have declined over the past six months. As the price increased dramatically during the first two quarters, buyers have stepped away from the spot market. The spot price then hit a resistance level and reversed dramatically at the beginning of the third quarter. As prices fell more rapidly than they increased in the previous four months, most buyers sat back to watch the retreat. However, some buyers were eventually enticed by the falling prices and as a result some discretionary purchases were booked. The discretionary buying classification represented three-fourths of the quarter's volume. Given that few utilities have uncovered needs for the remainder of this year or much of next year, there has been little need for this buying group to be active on the spot market over the past six months.

Buyers & Sellers – While utility buying has been sporadic this year, this group still accounted for a fourth of last quarter's volume. Producers purchased at a similar level, with traders/others making up the remaining 50% share. The traders/others group regained its majority market share of sales, while producers, which accounted for 40% to 50% of the first two quarter's sales volume, fell to less than 10% in the third quarter.

Fourth Quarter Outlook – While the spot price had been in free fall since the beginning of the third quarter, it seems to have hit a support level at \$75 per pound. Not only have sellers shown a reluctance to offer at below this price level, demand has reappeared on the market with well over two million pounds of spot volume reported over the past three weeks (recent activity is discussed on page 8). Although a portion of this volume was sold under market-related terms, about 1.4 million pounds has been reported as transacted at the \$75 per pound or equivalent UF_6 price level. In fact, over the past two weeks, nine spot deals have been reported totaling 1.6 million pounds U_3O_8, reflecting renewed demand activity. In these pages we have discussed that both the presence of motivated sellers and the absence of have-to buyers contributed to the recent price decline. While we have not seen a return of have-to buyers to the market, speculative demand has definitely reappeared and with it the prospects for price to increase. In this respect, the question now turns to whether any motivated sellers remain in the market to either keep a lid on the current price level or reapply downward pressure to it.

Quarterly Spot Volume vs. Ux Average Price



Uranium Spot Market Statistics (Million pounds U_3O_8 equivalent, * includes activity through October)																	
	2004			**2005**					**2006**					**2007**			
	3Q	**4Q**	**Yr.**	**1Q**	**2Q**	**3Q**	**4Q**	**Yr.**	**1Q**	**2Q**	**3Q**	**4Q**	**Yr.**	**1Q**	**2Q**	**3Q**	**Yr.***
Total Volume	**6.2**	**3.7**	**20.4**	**12.2**	**12.1**	**4.7**	**6.8**	**35.7**	**9.9**	**8.3**	**11.7**	**5.5**	**35.4**	**7.8**	**3.7**	**1.8**	**14.9**
# Transactions	21	11	**71**	36	34	15	25	**110**	33	34	41	26	**134**	25	22	12	**68**
Leadtime (mths)	5.4	2.3	**5.1**	5.4	4.6	4.4	2.9	**4.4**	3.6	3.9	3.0	3.1	**3.4**	2.8	2.7	2.2	**2.8**
Form																	
U_3O_8 Total	3.1	1.0	**9.3**	5.6	7.7	2.0	5.1	**20.4**	3.4	4.6	5.6	2.7	**16.3**	3.8	2.3	0.8	**8.3**
UF_6 Total	3.1	2.7	**11.0**	6.2	4.4	2.6	1.6	**14.8**	6.1	3.4	5.9	2.8	**18.2**	3.8	1.5	1.1	**6.4**
EUP Total	0	0	**0**	0.3	0	0	0.1	**0.5**	0.4	0.3	0.2	0.0	**0.9**	0.2	0.0	0.0	**0.2**
Need																	
Actual	5.2	1.8	**12.5**	2.8	5.9	2.2	1.3	**12.2**	4.4	1.2	2.7	2.7	**11.0**	2.5	1.3	0.5	**4.8**
Discretionary	1.0	1.8	**7.9**	9.3	6.2	2.5	5.4	**23.4**	5.5	7.1	9.0	2.8	**24.3**	5.3	2.4	1.4	**10.1**
Method																	
On-market	0.8	0	**2.2**	0.8	4.5	0.6	0.9	**5.9**	1.6	0.9	2.9	0.8	**6.2**	0.9	1.1	1.3	**3.3**
Off-market	5.4	3.7	**18.2**	11.4	7.6	4.0	5.8	**28.8**	8.3	7.4	8.8	4.7	**29.1**	6.9	2.6	0.5	**11.6**

News Briefs

Indian political opposition means nuclear agreement with U.S. in doubt

The U.S. nuclear deal with India continues to be under threat due to domestic Indian politics. The deal faces major opposition from Communist parties, which the nation's ruling coalition depends on for support in Parliament. India's Prime Minister, Manmohan Singh, who previously threatened to go forward with the nuclear deal in spite of opposition from the Communists, has now stated that the government will not risk an early election in order to see the agreement through to completion. Singh still hopes that the nuclear agreement will be concluded, and negotiations with the Communists, who are also known as the Left Front, are continuing. However, with the Prime Minister unwilling to risk a confrontation, and the next national election in India not set to occur until 2009, there is now a high probability that India will miss its window of opportunity to move the agreement forward.

Expressing doubt about the future of the deal, Singh was quoted last week in the *International Herald Tribune* as saying, "What we have done with the United States – it is an honorable deal, it is good for India, it is good for the world. I do attach importance in seeing this deal come through, but if it doesn't come through that is not the end of life."

The two political sides have agreed that a joint committee will examine the nuclear agreement, and while talks between the Congress Party and the Left Front continue, India's negotiations with the International Atomic Energy Agency (IAEA) will remain on hold. "The government will proceed with the deal only after the committee formed to give an opinion of the ramifications of the deal gives its opinion. On the basis of the written agreement between the Left and the government, we will deliberate on October 22," said Communist Party official Sitaram Yechury in a quote to *Press Trust of India*.

IAEA chief Mohamed ElBaradei is currently visiting India, and he is urging those opposed to the nuclear deal to reconsider their positions. ElBaradei argues that the nuclear deal would enable India to achieve a greater degree of energy independence. "India should not be an outsider, but a full partner in peaceful uses of nuclear energy as well as in our efforts to rid the world of nuclear weapons," said ElBaradei in a quote to *Indo-Asian News Service*. ElBaradei also stated that if India does decide to move forward with negotiating an IAEA safeguards agreement, a deal could be completed within a few weeks. Approval from the 45-nation Nuclear Suppliers Group as well as passage of the 123 Agreement by the U.S. Congress must also be completed before India is able to begin unrestricted international trade in nuclear materials and technology.

Senators express concerns to DOE regarding inventory plans

Seven U.S. Senators whose states have uranium interests wrote to U.S. Secretary of Energy Samuel Bodman expressing their concerns regarding the potential impact of future DOE inventory sales on the domestic uranium industry. The letter, which reiterates concerns expressed by domestic uranium companies, comes at a time when policymakers are focused on supporting the contribution of nuclear energy to the U.S. energy mix and demonstrates an expanded political base for these interests.

The October 10 letter from Senators Kay Bailey Hutchinson and John Cornyn of Texas, John Barrasso and Michael Enzi of Wyoming, Orrin Hatch and Robert Bennett of Utah, and Chuck Hagel of Nebraska noted that the U.S. uranium industry is "at a critical point in its redevelopment." They go on to say that "unchecked DOE uranium sales" could affect the industry's "ability to secure necessary capital for meaningful investment." The Senators urge the Energy Secretary to take this into account when considering future sales and transfers as authorized by the USEC Privatization Act, which requires the Secretary to consider the impact of its proposals on the domestic uranium industry.

DOE is in the midst of developing a long-term management plan for its inventories that is intended to help the agency meet its programmatic needs as well as reduce the costs of managing its surplus inventories. DOE has been

Industry Calendar

- October 14-17, 2007
  NEI Uranium Fuel Seminar
  Nuclear Energy Institute
  http://www.nei.org/newsandevents/
  Royal Sonesta Hotel
  New Orleans, LA, USA
- November 11-15, 2007
  ANS/ENS International Meeting and Nuclear Technology Expo
  ANS/ENS
  http://www.ans.org/meetings/
  Omni Shoreham Hotel
  Washington, DC, USA
- December 3-7, 2007
  Mining For Today and Tomorrow
  Northwest Mining Association
  http://www.nwma.org/
  The Doubletree Hotel
  Spokane, WA, USA
- January 22, 2008
  NEI Fuel Supply Forum
  Nuclear Energy Institute
  http://www.nei.org/newsandevents/
  The Willard InterContinental
  Washington, D.C., USA
- February 5-6, 2008
  Nuclear Energy
  Platts
  http://www.platts.com/
  The Marriott Bethesda North
  Bethesda, MD, USA
- April 8-11, 2008
  World Nuclear Fuel Cycle
  WNA/NEI
  http://www.world-nuclear.org/
  Intercontinental Hotel
  Miami, FL, USA

Details are available at:
http://www.uxc.com/c/data-industry/uxc-calendar.aspx

working with a task force of the Nuclear Energy Institute to try to develop a plan that balances the needs of various industry sectors, including the uranium producers, convertors, enrichers and utilities. On the table are proposals that set aside uranium for a strategic stockpile, initial core use, limited direct sales to the industry, and loans of UF_6 to enrichers for use as working inventory at new enrichment plants. Discussions among the various sectors are on-going, and DOE hopes to develop an inventory management plan by the end of this year.

Xcel Energy to take over operation of its reactors

In an October 12 press release, Xcel Energy announced that it plans to take over operation of its two nuclear power plants from Nuclear Management Company (NMC). With the sale of the Point Beach nuclear power plant to FPL, Xcel's Prairie Island and Monticello nuclear power plants are the only remaining facilities that NMC operates. Xcel will seek approval from the Nuclear Regulatory Commission to transfer operating licenses for Prairie Island and Monticello to its Northern States Power Co. subsidiary and will reintegrate nuclear operations as part of its energy supply business unit. The NRC is expected to approve the license transfers in 2008, and employees of NMC will then become Xcel Energy employees. "NMC has been an excellent operator of our nuclear plants, therefore I believe reintegrating nuclear operations into Xcel Energy provides us the best value and will strengthen our overall operations," said the president of Xcel Energy's energy supply unit.

President of Belarus says that construction of nuclear power plant will begin next year

The president of Belarus, Alexander Lukashenko, believes it is essential for national security reasons that the nation build a nuclear power plant and has said work on the plant will commence next year. "In 2008, we should complete planned construction work which will enable us to start the actual construction of the station," said Lukashenko in a quote to *Reuters*. Belarus, which borders Poland and Russia, is currently dependent on Russia for supplies of oil and natural gas, and disputes have led to Russia threatening to cut off supply. Belarus wants to make use of nuclear power in order to obtain a greater degree of energy independence. President Lukashenko said that the nation's first reactor could begin operation within four to eight years after construction begins, but it is highly unlikely that the reactor would begin operation before 2014, if not later. Belarus wants to build at least two reactors. A site for the plant has not yet been selected. Atomstroyexport is seen as the most likely supplier of the nation's first reactor, but Belarus could also select either AREVA or Westinghouse. Belarus has estimated the cost of building its nuclear power plant at $2.5 to $2.8 billion.

New reactor begins commercial operation in Romania

On October 5, commercial operation began for Unit 2 at the Cernavoda nuclear power plant in Romania, according to a press release from Atomic Energy of Canada Ltd. Cernavoda 2 is a CANDU 6 reactor with a capacity of approximately 700 megawatts. The two CANDU reactors at Cernavoda will provide for 17 percent of Romania's electricity needs.

Preparations underway for Yangjiang nuclear power plant

Initial preparations for building the Yangjiang nuclear power plant in southern China's Guangdong province have begun, according to an October 12 article from *China Daily*. "The initial build work at the YNPP is preparation for the construction of the main part of the nuclear power plant. More than 2.5 billion yuan (~US$333 million) has, so far, been spent on infrastructure for the project," said China Guangdong Nuclear Power Group's general manager, He Yu in a quote to *Xinhua News*. Large-scale construction of the plant is expected to begin in 2008, with commercial operation of the plant's first phase scheduled to start in 2013. A total of six 1,000 megawatt CPR-1000 reactors are planned at Yangjiang, including four reactors for the plant's first phase. The total cost of building the Yangjiang nuclear power plant has been estimated at more than $8 billion.

UK considering sale of its stake in Urenco as part of privatization effort

According to an October 10 article from the *London Times*, the UK is planning to sell off £36 billion in government assets in order to raise money that will be applied towards reducing debt. The sale of the government's 33 percent stake in Urenco is believed to be under consideration as part of the privatization effort. The government has requested that its departments come up with a list of potential assets that could be privatized. The UK government previously sold a 25 percent stake in British Energy, which reduces its ownership share in the utility to 39 percent.

RWE and British Energy are discussing possible cooperation in new nuclear build

Reuters has reported that RWE is discussing possible collaboration with British Energy in the construction of new reactors in the UK. The two utilities are talking about possible sites and the role that RWE could play as an investor and developer. British Energy is also discussing possible partnerships for nuclear construction with several other organizations and has held talks with E.ON.

Poland demands greater share of electricity from new nuclear power plant in Lithuania

Lithuania has stated that it could be able to meet Poland's requirements for electricity if a nuclear power plant with a capacity in excess of 3,000 megawatts is constructed. Poland has threatened to delay a project to link its electricity grid with Lithuania's unless it receives between 1,000 and 1,200 megawatts of output from a planned new nuclear power plant in Lithuania that will replace the Ignalina nuclear plant. Lithuania needs the linked power grid in order to get access to electricity from other European nations. "If the results of the environmental study are favorable and if we can build a nuclear plant with a capacity of more than 3,000 megawatts, these requirements may be met," said Lithuania's Prime Minister, Gediminas Kirkilas, in a quote to *AFX News*. Kirkilas has also stated that Lithuania will most likely delay signing an agreement with Poland, Latvia, and Estonia on the new nuclear power plant until November after Polish elections are held.

Lithuania's new nuclear power plant could come online by 2015. AREVA has expressed interest in the project, and it is possible that two 1,600 megawatt European Pressurized Reactors could be built. Lithuania's sole operating reactor, Ignalina 2, is scheduled to close at the end of 2009 under an agreement with the EU, but Lithuania could seek to delay the closure due to a lack of alternative electricity sources.

Poll finds majority support for sixth reactor in Finland

A TNS Gallup poll of Finnish residents has found that 58 percent of the respondents are in favor of building a sixth reactor in Finland. Another 39 percent are opposed to building another reactor. Finland's leading politicians are currently discussing the possibility of allowing additional reactors to be constructed.

URI to acquire Ambrosia Lake mill site and properties from BHP Billiton

Uranium Resources, Inc. (URI) issued a press release on October 12 stating that it entered into a definitive agreement with BHP Billiton to acquire 100% of the ownership of Rio Algom Mining LLC. Under the agreement, URI will pay BHP Billiton US$110 million in cash and assume certain retirement benefits and reclamation liabilities of which up to $35 million will be pre-funded at closing. URI will also pay BHP Billiton $16.5 million contingent upon the receipt of a license from the Nuclear Regulatory Commission (NRC) to construct and operate a conventional uranium mill. The transaction is expected to close on or before June 1, 2008, and is subject to customary closing conditions, financing and regulatory approvals.

The purchase includes a strategically important NRC-licensed mill site with associated water rights in the historic Ambrosia Lake District of New Mexico. The site is located 20 miles north of Grants, NM and could cut in half the time needed to build a new mill in the district versus building a mill on a Greenfield site. Additionally, URI will acquire 14,000 acres of surface fee land and mineral interests in Ambrosia Lake that contain 20 million pounds U_3O_8 based upon a report by Behre Dolbear. URI will also acquire another licensed mill site, known as Lisbon Valley, south of Moab, Utah.

Mining at Ambrosia Lake commenced in the 1950s when Kerr-McGee constructed what was the largest operating mill in the U.S. at the time, processing 7,000 tons of ore per day at its peak. The mill was dismantled in 2003. After the acquisition is complete, URI plans to construct a new, environmentally-sound, state-of-the-art milling facility at the Ambrosia Lake site to process uranium ore that is mined from around the region. The planned mill is expected to employ over 200 people once in operation, and will have the capacity to process up to 8,000 tons of uranium ore per day. In a company conference call, URI President and CEO Dave Clark said a 3,000 ton per day facility would cost around $200 million and an 8,000 ton per day facility would cost $350 million. Once commissioned, the facility will be capable of processing all of the remaining conventional ore in the Grants Mineral Belt, which could total 200 to 300 million pounds U_3O_8, including up to 70 million pounds U_3O_8 from URI-owned projects. During the next several months, URI plans to evaluate various opportunities for joint venture and/or toll milling arrangements with several companies who could benefit greatly from a locally operating mill.

Upon completion of the acquisition, URI will own approximately 112 million pounds of U_3O_8 in New Mexico. Also, upon receipt of the license amendment from the NRC, URI will possess the only two NRC licenses associated with uranium mining and milling in the state of New Mexico. The acquisition increases URI's asset base by 22%. Mr. Clark commented, "The purchase of Rio Algom provides one of the key assets we need to achieve our strategic goal to produce 10 million pounds of U_3O_8 per year by 2014." Clark added that "building a new mill on a NRC licensed site with associated water rights could allow production to begin within four to five years." The cash cost of producing from the uranium acquired at the site would be in the estimated range of $50-$60 per pound according to Executive Vice President and COO Rick Van Horn.

Rio Tinto's Kintyre attracting suitors

Rio Tinto is reportedly in talks with a number of suitors for its Kintyre uranium deposit in Western Australia. A number of primary producers as well as junior exploration companies have been rumored as interested in the project. Rio Tinto is reportedly looking for a significant premium from the sale of the Kintyre asset. A sale of the Kintyre asset would require support from the traditional owners, the Martu People, who secured native title over the site in a Federal Court ruling in 2002. At a recent uranium conference in Perth, representatives of the Martu said the community was interested in taking equity positions in mining projects in areas where it had native title rights.

The looming sale of Kintyre, which has estimated uranium reserves of at least 52.9 million pounds U_3O_8, is likely to be the first in a string of divestments to be undertaken by Rio Tinto as it streamlines its global operations following its A$43 billion purchase of Alcan. Meanwhile, Western Australia's Premier Alan Carpenter has said he will not allow uranium mining within Australia's largest state.

In the mid 1990's, the plan was for the Kintyre project to be brought into production in late 2000. However, the project was put under care and maintenance status in 1998 pending improvement in the uranium market. The Kintyre project would involve a mine and associated treatment facilities at the site with an initial production output of 1,200 t U_3O_8 (~2.65 million pounds U_3O_8) per year.

Pele Mountain releases scoping study for Elliot Lake

Pele Mountain Resources Inc. has made its scoping study for the Elliot Lake uranium project available on its website at http://www.pelemountain.com/

The scoping study presents a "base case" mining and processing scenario that includes less than half of the project's known uranium resources and retains upside potential in many of its parameters. Highlights of the scoping study include an 18-year mine life that produces 826,000 pounds U_3O_8 annually at a cash operating cost of US$55.51 per pound, a mining and processing plan comprised of conventional and acid-leaching along with underground bioleaching, and an updated NI 43-101 mineral resource estimate that includes 6.39 million pounds U_3O_8 (at 0.051% U_3O_8) classified as "indicated" and 36.15 million pounds U_3O_8 (at 0.044% U_3O_8) classified as "inferred".

Aurora reports drill results from Gear deposit

Aurora Energy Resources Inc. announced October 10 the assay results for the first two of five drill holes completed at its Gear deposit in coastal Labrador. Drill holes G07-005 and G07-007A have extended the deposit 100 meters deeper than shallow historical drilling. G07-005 intersected 0.17% U_3O_8 over 10.0 meters and G07-007A intersected 0.16% U_3O_8 over 7.0 meters. The Gear deposit is exposed at surface and to date has been drilled over a strike length of approximately 200 meters. "These important drill holes have effectively increased the historic Gear deposit by 40 percent and confirmed the potential for multiple new uranium deposits around Michelin and Jacques Lake" said Ian Cunningham-Dunlop, VP, Exploration for Aurora.

Gear is part of a 15 kilometer long belt of prospective rocks called the Inda Lake Trend, which hosts numerous additional historical resources, including Inda, Nash and Kitts. Assay results for the remainder of the Gear drill holes are pending. Two rigs are currently drilling on the Inda Lake Trend.

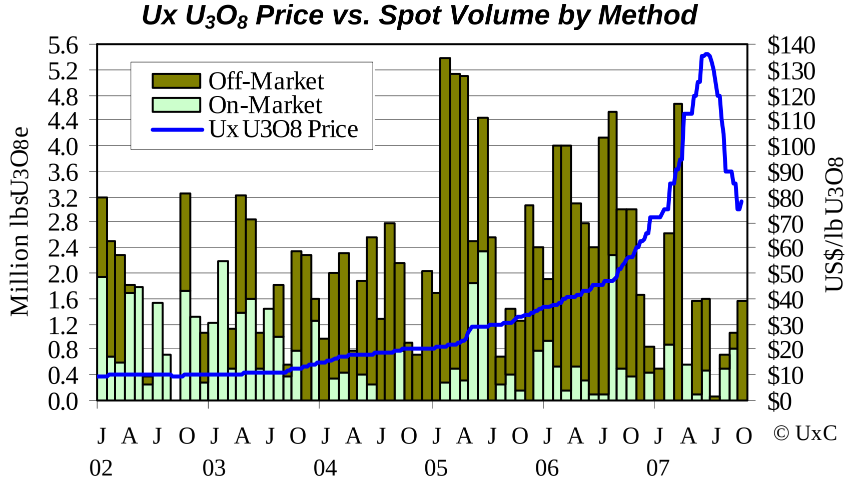
Strathmore increases its land position in Gas Hills district

Strathmore Minerals Corporation announced October 10 that it acquired an additional 13,900 acres in the Gas Hills uranium district of Wyoming, bringing the company's total land holdings there to in excess of 29,000 acres. The land position was added by staking 658 claims and acquiring one State of Wyoming Mineral Lease.

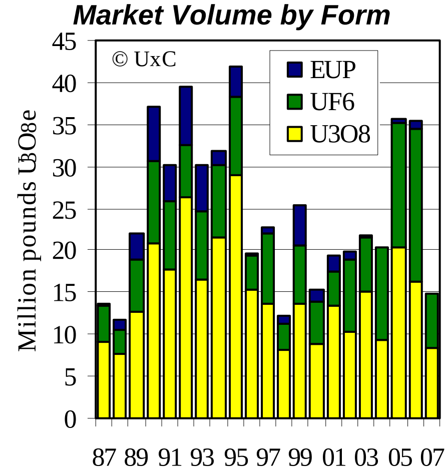
The newly acquired lands are located on the Beaver Rim, which is located south of the historical mining operations conducted by Utah International/Pathfinder (now AREVA), Federal American Partners, and Union Carbide, among others.

In its press release, Strathmore also provided an update to its Gas Hills holdings. Permitting activities at the George-Ver/Frazier LeMac deposits are ongoing. The company plans to install two monitor wells there in November to determine hydrologic characteristics and baseline water quality. For 2008, an exploration drill program is planned to extend the areas of known mineralization. Meanwhile, permitting at the Andria, Bull Rush and Loco-Lee properties is scheduled to begin during the fourth quarter with monitor well installation planned for next summer. In addition, to further develop

Ux U_3O_8 Price vs. Spot Volume by Method



1987-2007 Uranium Spot Market Volume by Form



these projects, Strathmore has proposed an extensive exploration drilling program across much of the Beaver Rim, which is expected to start in late spring or early summer of 2008. At the Jeep property, an ISR JV with Yellowcake Mining Corp., exploration drilling is anticipated in 2008.

South Korean consortium to jointly explore Canadian uranium deposit

CanAlaska announced October 12 the execution of definitive agreements for investment by a South Korean consortium led by Hanwha Corporation towards uranium exploration of CanAlaska's Cree East project, located in Saskatchewan. Korea Electric Power Corporation, Korea Resources Corp. and SK Energy Co. Ltd. will join with Hanwha to invest C$19 million towards an earn-in of a 50% ownership interest in the Cree East project over a 4-year period. Under the terms of the executed agreements, the Korean consortium will recompense CanAlaska for all exploration expenditures incurred by CanAlaska on the project since June 1, 2007.

The Cree East project is situated in the southeastern Athabasca Basin, and covers 559 km^2 of the Wollaston-Mudjatik domain rocks. The depth to the unconformity varies from 100 meters in the south to an inferred 800 meters in the north.

Monaro, Uranium King plan merger

Uranium King Ltd. plans to merge with Monaro Mining NL to create a new company worth about $100 million. Under the scrip deal, Uranium King will become a wholly-owned subsidiary of Monaro, evolving into an explorer with interests in uranium, gold and base metals in Australia, the U.S., and Central Asia. Uranium King directors have recommended the offer of five Monaro shares for every seven Uranium King shares as being the best interests of the shareholders. "The potential merger provides shareholders the opportunity to be part of an enhanced uranium company with increased growth prospects and broader institutional appeal," Uranium King executive director Jim Malone said.

Currently, Monaro has a market capitalization of about $29.7 million while Uranium King is valued at about $24.4 million. Uranium King is focused solely on uranium in the U.S. with its Rio Puerco and Apex-Lowboy projects in New Mexico and Nevada, which have combined uranium resources of 6.1 million pounds U_3O_8. In addition to exploring for uranium, Monaro explores for gold in Kyrgyzstan and for base metals and gold in eastern Australia.

Crosshair releases drill results from Central Mineral Belt

Crosshair Exploration & Mining Corp. announced October 11 drill results from holes ML-91 to ML-100 at the C Zone on the company's Central Mineral Belt (CMB) uranium project in Labrador. Drill hole ML-96 intersected 0.10% U_3O_8 over 15.8 meters, ML-98 intersected 0.10% U_3O_8 over 5.9 meters, ML-99 intersected 0.18% U_3O_8 over 3.9 meters, and ML-100 intersected 0.10% U_3O_8 over 6.4 meters. The current drill program at the C Zone is aimed at expanding the existing C Zone resource, which remains open in all directions, as well as upgrading the resource with infill drilling. Crosshair has three drill rigs operating on the CMB uranium project, all of which are currently drilling at the C Zone.

NEI formulates position on climate change

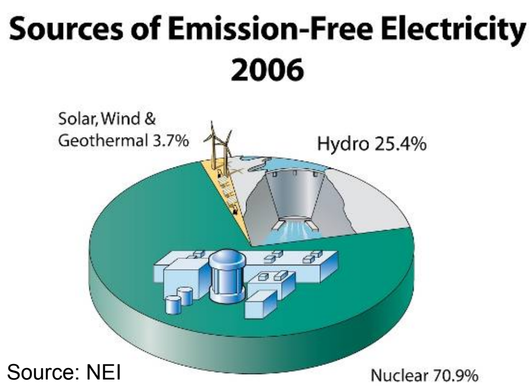
The Nuclear Energy Institute (NEI) last week announced a consensus U.S. nuclear industry position on climate change. NEI laid out a number of policy objectives focused on supporting nuclear power as a means to reducing greenhouse gas emissions. Some of the key points are:

- "the industry supports federal action or legislation to reduce greenhouse gas emissions;
- nuclear energy is a vital source of electricity that can meet the nation's growing energy needs with a secure, domestic energy supply that also protects our air quality;
- a credible program to reduce greenhouse gas emissions will require a portfolio of technologies and approaches; nuclear energy is an indispensable part of that portfolio; and
- significant expansion of nuclear power in the United States requires sustained federal and state government policies relating to energy infrastructure and the environment."

NEI also highlighted the fact that over 70% of all carbon-free electricity currently generated in the U.S. comes from the nation's 104 nuclear reactors. As nearly all of its utility members are also members of the Edison Electric Institute (EEI), NEI noted that this climate change position closely tracks the EEI position, which was announced earlier this year.

Climate change policies have been evolving in the U.S., both on a national level as well as in numerous states, and the utility industry has become much more active in supporting a comprehensive approach to the issue. At the same time, expected future restrictions on carbon emissions is one of the main rationales being used by a number of companies considering new nuclear reactors in the U.S.

The complete NEI climate change statement can be found online at: http://www.nei.org/newsandevents/newsreleases/nuclearenergyindispensable/



Source: NEI

The Market

Uranium

Spot activity during the last several weeks has increased as the price fell to the $75 level. Over the past week, four additional spot deals have been reported bringing this month's volume to about 1.6 million pounds U_3O_8 with the month only half over. As discussed in the cover story, volume during the first two weeks of this month is already approaching the 1.8 million pound U_3O_8 equivalent volume for the entire third quarter.

Over the past week, sellers have raised their offer prices above $75 and multiple deals were done at prices slightly higher than $75. Based on this recent activity, the Ux U_3O_8 Price increases $3 to $78.00 per pound, the first price increase in 17 weeks.

The fact that price has rebounded somewhat is not surprising, as we have been talking about a bottom forming based on the increased buying interest and absence of more aggressive selling. Also, in our July *Uranium Market Outlook*, we projected that a minimum price for the next three months (or through October) would be $75. This corresponds to the fact that the trend line that existed before the second Cigar Lake flood (see chart below), to which price has now reverted, could be viewed as a fairly strong support level.

It remains to be seen whether this support will hold, although the betting line on the financial side appears to be that it will (see further discussion under forwards and futures below). Key questions here are what will happen with respect to buying and selling activity, not just under spot, but also under long-term contracts. If the long-term contract price holds or increases somewhat, and buying interest is strong, then price has more of a chance of having a notable rebound. However, if spot sellers see this as an opportunity for liquidating inventories and buying interest wanes, the price increase could be short-lived.

One early clue as to how price will progress (or regress) is how sellers elect to offer material, particularly whether they will try to edge up their offer prices much in the same way that existed last year before the second Cigar Lake flood. Absent another major supply disruption, we don't expect to see sellers offering material on a market-price basis with floors higher than the current spot price, a hallmark of the extreme sellers market that existed earlier this year.

In the term market, activity remains at moderate levels with multiple buyers seeking material totaling about 22 million pounds U_3O_8e of demand. New demand emerged this week as a U.S. utility is reported as submitting a RFP for U_3O_8 totaling 3.6 million pounds with delivery over the 2012 to 2017 time period. Offers are due November 16th. A non-U.S. utility is out for two million pounds U_3O_8 with delivery in 2008-2017. Another non-U.S. utility is out for about 3.5

Ux Price Indicators (€ Equiv**)			
Weekly (10/15/07)	1 US$	= .70397€	
Ux U_3O_8 Price		$78.00	€54.91
Mth-end (9/24/07)	1 US$	= .71068€	
U_3O_8	Spot	**$85.00**	€60.41
	Long-Term	**$95.00**	€67.51
Conversion	NA Spot	**$11.50**	€8.17
	NA Term	**$12.25**	€8.71
	EU Spot	**$11.15**	€7.92
	EU Term	**$13.00**	€9.24
UF_6 Spot	NA Price	**$225.00**	€159.90
	NA Value*	*$233.59*	€166.00
	EU Value*	*$233.24*	€165.75
SWU	Spot	**$140.00**	€99.50
	Long-Term	**$143.00**	€101.63
EUP	NA Spot**	*$3,259*	€2,316
	NA Term**	*$3,553*	€2,525

UxC Market Statistics				
Monthly (Oct)	**Spot**		**Term**	
	Volume	# Deals	Volume	# Deals
U_3O_8e (million lbs)	1.6	9	0	0
Conv. (thousand kgU)	0	0	W	2
SWU (thousand SWU)	0	0	W	2
2007 Y-T-D	**Spot**		**Term**	
	Volume	# Deals	Volume	# Deals
U_3O_8e (million lbs)	14.9	68	132.4	36
Conv. (thousand kgU)	2,819	26	>7,219	9
SWU (thousand SWU)	>550	6	>39,076	19

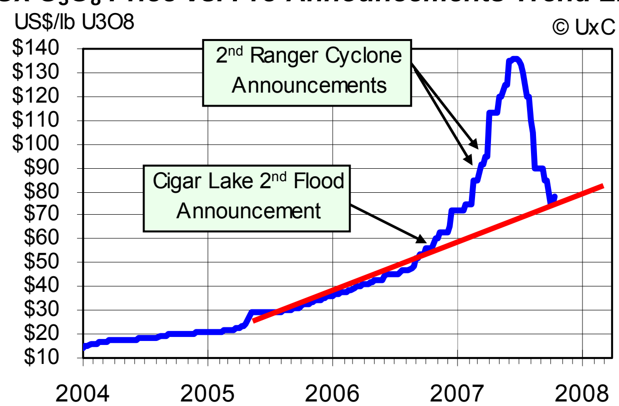
Key: N/A – Not available. W – Withheld due to client confidentiality.

UxC Leading Price Indicators

Three-month forward looking price indicators, with publication delayed one month. Readings as of Sep 2007.

Uranium (Range: -17 to +17)	**+4** [down 2 points]
Conversion (Range: -16 to +16)	**-2** [unchanged]
Enrichment (Range: -18 to +18)	**+8** [unchanged]
Platts Forward Uranium Indicator A forward two-week outlook.	**$73.00-$83.00** As of 10/15/07 (US$/lb)

Ux U_3O_8 Price vs. Pre-Announcements Trend Line



A Matter of Perspective

Ed and Dorothy met while on a cruise, and Ed fell head over heels in love with her. On the last night of his vacation, the two of them went to dinner and had a serious talk about how they would continue their relationship. "It's only fair to warn you, I'm a total golf nut," Ed said to his lady friend. "I eat, sleep and breathe golf, so if that's a problem, you'd better say so now."

Dorothy responded, "If we're being honest with each other, here goes...I'm a hooker." "I see," Ed replied, and was quiet for a moment. Then he added, "You know, it's probably because you're not keeping your wrists straight when you tee off."

Tullett Prebon Fund Implied Price (FIP) as of COB *10/15/07*	
$107.42 (+8.42%)	US$/lb U_3O_8

million pounds U_3O_8 with delivery in 2010-2016. A third non-U.S. utility is seeking close to four million pounds U_3O_8e with delivery starting in 2011. In addition to this demand, several other utilities also remain active.

U_3O_8 Forwards Market

While there are currently no offers (asks) for near-term physical delivery on the Tullett screen, an offer for $80 appeared briefly on Friday; this was down from $85, which was the lowest offer posted until that time. As an indication that some players expect prices to rise over the remainder of the year, today (Monday) financial settled bids to buy at $79 for 50,000 pounds (200 NYMEX lots) for December 2007 and January 2008 delivery were posted on Tullett. Opposed to this was an offer (ask) of $100 for 50,000 pounds (200 lots over NYMEX) for December 2007 delivery. The bids and offers settle on the final Ux U_3O_8 Price at the end of the respective months. Also, the Fund Implied Price (FIP) is $107.42, up significantly from $94.47 last Monday.

U_3O_8 Futures Market

Light activity last week of eight contracts, all for December, moved open interest to 500 with cumulative contract volume of 833 (or equivalent to 220,750 pounds U_3O_8) through Friday. Activity picked up today (Monday) with an estimated 20 contracts reported. The futures price for December is now $89.00, or well above the current spot price.

Conversion & UF_6

Activity remains moderate to low with respect to conversion. While no transactions are reported for the week, a new entry in the term market has been reported. A non-U.S. utility is out for eight million kgU as conversion services with delivery starting in 2009.

NYMEX UxC Uranium U_3O_8 (UX) Futures Activity

	Settlement Prices as of 10/15/07		*Activity for 5/7/07-10/12/07*			
	Settlement Month	Price	Volume	Open	High	Low
U_3O_8	June 2007	**$136.00**	108	N/A	$148.00	$130.00
	July 2007	**$120.00**	1	N/A	$140.00	$140.00
	December 2007	**$89.00**	408	149	$159.00	$58.00
	January 2008	**$80.00**	76	61	$151.00	$70.00
	February 2008	**$80.00**	42	42	$126.00	$80.00
	March 2008	**$80.00**	41	41	$119.00	$80.00
	April 2008	**$81.00**	27	27	$119.00	$84.00
	May 2008	**$81.00**	27	27	$119.00	$84.00
	June 2008	**$81.00**	29	29	$119.00	$83.00
	July 2008	**$81.00**	24	24	$117.00	$84.00
	August 2008	**$81.00**	20	20	$117.00	$84.00
	September 2008	**$81.00**	20	20	$117.00	$84.00
	October 2008	**$81.00**	20	20	$117.00	$84.00
	November 2008	**$81.00**	20	20	$117.00	$84.00
	December 2008	**$81.00**	20	20	$117.00	$84.00
		Totals:	**883**	**500**		

Tullett Prebon Physical Forwards Activity as of *10/15/07*

COD: Convertor Delivered – **Bid / Ask** Offer Ranges US$/lb U_3O_8

	Delivery Month	USA	Canada	Europe
U_3O_8	Nov 2007	**$67**-50K /		
	Dec 2007			
	Mar 2008			

Enrichment & EUP

Little activity has been witnessed in the market over the past week as no demand or deals have been reported. A number of buyers remain in the market evaluating term offers; however, spot activity markets remains limited.

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 (≤ 3 months), quantity (≥ 100,000 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. The **Ux LT SWU Price** (Long-Term) reflects base-escalated long-term offers for multi-annual deliveries. **The **Ux Spot and Term EUP Values** represent calculated prices per kgU of enriched uranium product based on a product assay of 4.50w% and a tails assay of 0.30w%, using spot and term Ux NA and appropriate spot and term price indicators and are provided for comparison purposes only. 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, EUP: US$ per kgU) 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.*

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