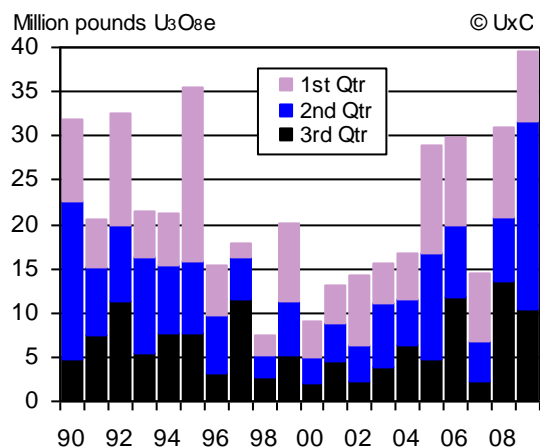


## Third Quarter Spot Uranium Review

Last year, the third quarter ended with a bang, which was propelled by air being let out of the financial markets. This year a few sparks started to fly as news of the Olympic Dam accident circulated as the quarter came to a close. Spot volume was already on track to break last year's all-time records, and activity over the past couple of weeks has picked up even further. Below is a review of last quarter's spot uranium activity.

**Price** – The Ux U<sub>3</sub>O<sub>8</sub> Price started the third quarter at \$52.00 per pound, falling slightly from the high of \$54 for the year set just two weeks before. With the exception of a small price correction blip at the beginning of August, the spot price coasted down most of the summer as market players reacted to an apparent summer slowdown in demand and expectations of how DOE inventories would impact the market. The price hit a bottom of \$42.00 during the third week of September before showing a slight increase the last week of the month to \$42.75. Part of the increase was a ref-

### Comparison of Quarterly Spot Volumes



lection of speculation by some market players that DOE would transfer money to USEC instead of material for this year's funding of decommissioning work. The quarter ended mid-week in September with the announcement of an accident at BHP's Olympic Dam mine on the last day of the month.

During the course of the quarter, UxC also introduced its daily reporting of a Broker Average Price (BAP) for U<sub>3</sub>O<sub>8</sub>. The uranium spot market has become more active over the past several years, and tracking price only on a weekly basis can put market participants at a disadvantage. As a daily price indicator, the UxC BAP can represent more of a real-time reflection of price movements. This was evidenced by an increase in the UxC BAP following the announcement of the Olympic Dam accident (see chart on page 7).

**Volume** – While the third quarter volume is down this year compared to the same period in 2008 (see chart below), it was still one of the highest third quarter volumes over the past two decades. A total of 53 transactions involving 10.4 million pounds U<sub>3</sub>O<sub>8</sub> equivalent were booked during the quarter. The third quarter volume, which posted 80 transactions for 21.2 million pounds U<sub>3</sub>O<sub>8</sub>e, also trails this year's second quarter level.

For the first three quarters of 2009, a total of 161 spot transactions have been reported involving 39.5 million pounds

**Ux U<sub>3</sub>O<sub>8</sub> Price: (10/19/09)**  
**\$47.75 (+\$1.75)**

**Ux LT U<sub>3</sub>O<sub>8</sub> Price: (9/28/09)**  
**\$64.00**

### Ux Weekly Uranium Spot Prices



U<sub>3</sub>O<sub>8</sub>e making this year's volume to date the highest on record. Adding volume through the middle of October brings the year-to-date volumes to 178 transactions for 41.7 million pounds U<sub>3</sub>O<sub>8</sub>e. As shown in the chart on page 9, this volume is just short of last year's all-time record of 43.3 million pounds U<sub>3</sub>O<sub>8</sub>e.

While the overall volume is up, the number of transactions is down, increasing the average size per spot deal. In 2008, the average transaction volume was just shy of 200,000 pounds U<sub>3</sub>O<sub>8</sub>, and in 2007 that level was less than 190,000 pounds. This year, the average transaction size has increased to about 260,000 pounds, and is closing back in on the 300,000-pound historical level posted prior to 2006.

**Form** – Of the ten million pounds U<sub>3</sub>O<sub>8</sub> equivalent reported for the third quarter, about 65% of the volume was transacted as straight U<sub>3</sub>O<sub>8</sub> sales. While UF<sub>6</sub> sales were about half that of the previous quarter, at 35% of the overall volume, the UF<sub>6</sub> percentage has actually

increased slightly over the first two quarters of the year. However, pricing for UF<sub>6</sub> has still remained fairly competitive with respect to the components, and in general has been sold at a discount.

**Method & Need** – The past two years have been fairly well defined by the discretionary nature of most purchases. The reactions in price movements also reflect this nature as each of the upward price shifts were short-lived (about five to six weeks), with demand dropping off notably in each case and sellers responding by lowering offers and price subsequently falling after each round. There has also been little in the way of actual needs as utilities in general have built up inventories over the past couple of years and increased their delivery commitments over the near term. And, until the recent problem at Olympic Dam, suppliers have had little need to come to

the market to cover any shortfalls. In fact, there have been small excesses in several instances with producers looking to the spot market to move additional material.

**Buyers & Sellers** – While the second quarter was dominated by non-U.S. utility buying (the top buying group), U.S. utilities picked up the pace slightly during the third quarter and fell into second place with respect to purchase volume after the trader/others group took the number one spot representing about 42% of the overall purchases. Non-U.S. utilities finished third last quarter, while producers made up the remaining 15% of overall purchases. With respect to sales, the traders/others group remained the primary seller, followed by the producer group, although producers fell from their 25% share posted in the first two quarters to a 15% share last quarter.

quickly to that news in terms of both spot volume increases and a jump in the spot price. If there are any notable production shortfalls, we are more likely to see the spot market over the 50-million pound mark for the year.

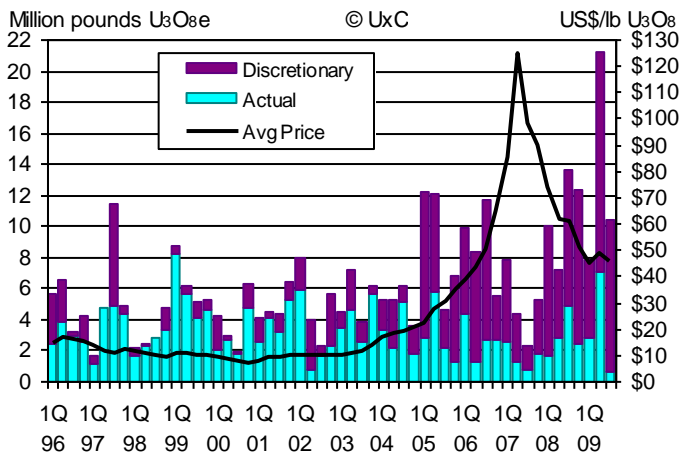
## News Briefs

### DOE issues update on USEC cleanup, ACP R&D funding and loan guarantee application

The U.S. Department of Energy (DOE), in a press release dated October 15, clarified the status of its earlier announcements regarding USEC cleanup, American Centrifuge Program (ACP) R&D funding, and loan guarantee application review. The DOE is continuing to move forward with its plan to invest approximately \$150 - \$200 million per year for the next four years to expand and accelerate cleanup efforts at the former (now closed) Portsmouth Gaseous Diffusion Plant in Piketon, OH. USEC will serve as the cleanup contractor in Fiscal Year 2010 through a modification of an existing contract, but the last three years of the accelerated cleanup work is being bid competitively as part of a larger Portsmouth decontamination and decommissioning contract. Bids are due to DOE on October 30.

DOE had announced previously that it would pay for the accelerated cleanup

### Quarterly Spot Volume vs. Ux Average Price



### Fourth Quarter

**Outlook** – As mentioned above, the last day of the quarter brought with it an announcement that an accident at Olympic Dam could impact production at the mine. The market reacted fairly

### Uranium Spot Market Statistics

(Million pounds U<sub>3</sub>O<sub>8</sub> equivalent, \* includes activity through October)

	2006			2007					2008					2009			
	3Q	4Q	Yr.	1Q	2Q	3Q	4Q	Yr.	1Q	2Q	3Q	4Q	Yr.	1Q	2Q	3Q	Yr.*
<b>Total Volume</b>	11.7	5.5	35.4	7.8	4.3	2.4	5.3	19.8	10.1	7.2	13.6	12.4	43.3	7.9	21.2	10.4	41.7
# Transactions	41	26	134	25	26	15	39	105	44	50	61	62	217	28	80	53	178
Leadtime (mths)	3.0	3.1	3.4	2.8	2.8	3.1	2.5	2.7	2.1	1.8	2.6	1.4	2.0	3.0	2.9	2.0	2.5
<b>Form</b>																	
U <sub>3</sub> O <sub>8</sub> Total	5.6	2.7	16.3	3.8	2.3	0.8	4.0	10.9	7.3	5.0	6.8	10.8	29.9	5.8	14.2	6.7	28.5
UF <sub>6</sub> Total	5.9	2.8	18.2	3.8	1.8	1.6	1.3	8.5	2.0	2.2	6.7	1.5	12.5	2.0	7.0	3.7	13.0
EUP Total	0.2	0.0	0.9	0.2	0.3	0.0	0.0	0.5	0.8	0.0	0.1	0.0	0.9	0.2	0.0	0.0	0.2
<b>Need</b>																	
Actual	2.7	2.7	11.0	2.5	1.3	0.7	1.8	6.4	1.7	2.8	4.9	2.5	11.8	2.9	7.1	0.7	10.9
Discretionary	9.0	2.8	24.3	5.3	3.0	1.6	3.5	13.4	8.4	4.4	8.7	9.9	31.4	5.0	14.1	9.8	30.8
<b>Method</b>																	
On-market	2.9	0.8	6.2	0.9	1.1	1.3	0.7	4.1	1.1	0.8	0.8	2.1	4.7	0.3	1.2	0.4	1.9
Off-market	8.8	4.7	29.1	6.9	3.2	1.0	4.6	15.8	9.0	6.4	12.8	10.3	38.5	7.6	20.0	10.0	39.9

work by bartering uranium from DOE's surplus inventory. This announcement generated a great deal of criticism from the industry as well as from select members of the House and Senate, who hope that DOE will revisit its decision (See Ux Weekly 23-41, p.2).

In a July 28 press release, the DOE offered to provide USEC with up to \$45 million of R&D funding for continued work on the American Centrifuge technology for a period of 12 to 18 months. However, in the October 15 release, the DOE stated that the \$30 million it had requested from Congress for FY2010 to begin the USEC R&D funding was not provided in the recently completed FY2010 Energy and Water Development Appropriations Conference Report. The DOE cited this and the fact that USEC has had to disassemble its ACP centrifuges in Piketon and will thus not have the machines up and running for several months, as the reasons for the Department to not see a path forward for provision of the \$30 million in technology demonstration funding to USEC at this time.

However, USEC believes that the DOE does have alternative ways to obtain the \$30 million of initial R&D funding and the full funding of \$45 million. According to Elizabeth Stuckle, USEC's Director, Corporate Communications, "the DOE retains the authority to meet their commitment to provide \$45 million of funding for continued ACP R&D work and can accomplish that commitment through reprogramming of funds or other funding vehicles and, therefore, USEC will continue to work with the DOE to find a mutual path forward."

Regarding USEC's loan guarantee application for \$2.0 billion for completion of the ACP plant, the DOE announced that its August agreement with USEC to delay a final review of the application until a set of technical and financial milestones have been met remains in place. To date, UxC understands that the DOE has not yet established with

USEC what the "set of technical and financial milestones" are that USEC will be obligated to meet.

An October 13 letter from the Uranium Producers of America to Energy Secretary Chu reiterated their concerns that a DOE uranium transfer could have an adverse material impact on the domestic uranium industry and sought greater transparency in DOE's actions. Similarly, the National Mining Association, in an October 14 letter to the Energy Secretary, expressed concerns about the impact of DOE's plans on the market.

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### ***NRC finds structural flaw with Westinghouse's AP1000***

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The U.S. Nuclear Regulatory Commission (NRC) has notified Westinghouse that it has found compliance issues with the shield building for the company's AP1000 reactor design. The NRC stated that the shield building's design will require either further analysis, more testing, or design modifications. "As a result of our understanding of the requirements, Westinghouse fully expected that the NRC would require additional analysis, testing or actual design modifications to the shield building. In fact, we had already begun to address certain portions of the design. We have fully committed the resources necessary to both quickly and definitively address the NRC's concerns, and we are confident that we will meet all applicable requirements," said a Westinghouse press release.

Westinghouse stated that it is continuing to work towards its goal of receiving a certification for its design amendment to the AP1000 by 2011 and towards bringing the first AP1000 units online in the U.S. around 2016. The NRC has stated that it is not yet sure whether the issue with the shield building will cause delays in licensing or construction for any of the potential 14 AP1000 units now being considered for licensing by the NRC. "This is a situation where fundamental engineering standards will have to be met before we can begin

## **Industry Calendar**

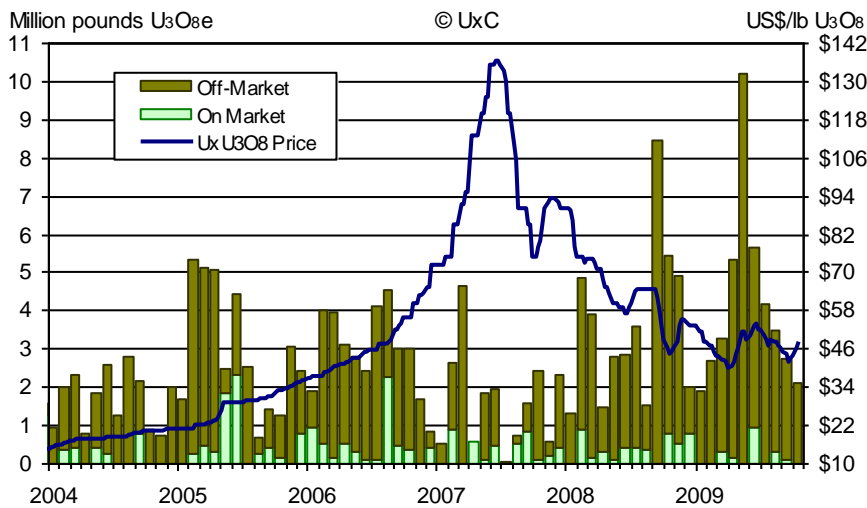
- October 27-30, 2009  
**Nuclear Industry Congress**  
SZ&W Group  
<http://www.nic-congress.com/>  
Purple Mountain Hotel  
Shanghai, China
- November 3-5, 2009  
**China Nuclear New Build**  
China Decision Makers  
<http://www.chinadecisionmakers.com/>  
Tianjin Binhai International Convention and Exhibition Center  
Tianjin, China
- November 5-6, 2009  
**China IAE Congress 2009**  
Duxes Business Consulting Inc.  
<http://www.atomicenergycongress.com/>  
Swissotel Beijing Hong Kong Macau Center  
Beijing, China
- November 15-19, 2009  
**ANS Winter Meeting and Nuclear Technology Expo**  
American Nuclear Society  
<http://www.ans.org/meetings/>  
Washington, D.C.
- November 19, 2009  
**Nuclear New Build Forum**  
Marketforce & Adam Smith Inst.  
<http://www.marketforce.eu.com/>  
Le Méridien Picadilly, London  
London, UK
- November 30-December 2, 2009  
**Nuclear Power Congress 2009**  
American Conference Inst.  
<http://www.nuclearcongress.com/>  
Naples Grande Beach Resort  
Naples, FL, USA

Details are available at:  
[http://www.uxc.com/c/data-industry/uxc\\_calendar.aspx](http://www.uxc.com/c/data-industry/uxc_calendar.aspx)

determining whether the shield building meets the agency's requirements," said the director of the NRC's Office of New Reactors, Michael Johnson as quoted by the *Miami Herald*. Johnson said the NRC and Westinghouse had been discussing design flaw issues since October 2008.

On October 16, Westinghouse's consortium partner, the Shaw Group issued a press release in response to the shield building issue. Shaw stated that it does not believe the issue will delay licensing progress for the AP1000. "Westing-

### Ux U<sub>3</sub>O<sub>8</sub> Price vs. Spot Volume by Method



house has been working with the NRC for some time reviewing the design of the shield building, which is within Westinghouse's scope of work. Certain portions of the design have already been addressed, and this expected confirmation from the NRC now allows the remainder of the items to be resolved. We believe all issues outlined by the NRC can be addressed from a technical perspective, and the remaining steps of the certification and licensing processes will continue as currently scheduled," said Shaw chairman and CEO J.M. Bernhard. In addition, an October 17 article from *Georgia Public Broadcasting* reported that Southern Company does not believe the design issues will delay the schedule for building two AP1000 reactors at the Vogtle nuclear plant. A spokesperson for Southern Nuclear Operating Company, Carrie Phillips said that with regard to the licensing process the company would "just kind of work through and make adjustments as we go forward."

#### **Completion of EPR at Olkiluoto in Finland could be further delayed**

On October 16, Finnish utility Teollisuuden Voima Oy (TVO) announced that commissioning of Unit 3 at the Olkiluoto nuclear power plant could be postponed past its most recently estimated completion date of mid-2012. The utility bases the possible delay on information from the most recent progress report from

AREVA and Siemens. TVO has now requested that AREVA and Siemens provide a new estimate for when the European Pressurized Reactor will be completed. "Olkiluoto 3 is a huge project. Thousands of people have been working hard in construction activities here at the site, and we have recently met important milestones. However, the reactor plant civil construction works are taking longer than previously estimated and the pace of completion continues to be slower than planned. These accumulating delays are now impacting the start of the installation and erection works," said Project Director Jouni Silvennoinen.

In addition to the potential delay reported by the utility, *Reuters* and *World Nuclear News* reported that the Finnish Radiation and Nuclear Safety Authority (STUK) has ordered a stop to welding work for Olkiluoto 3's cooling system due to safety concerns. STUK has determined that instructions for the welding of pipes were not properly followed.

#### **Prairie Island moves a step closer to license renewal**

In an October 16 press release, the U.S. Nuclear Regulatory Commission (NRC) announced that it has completed a final safety evaluation report for the proposed 20-year license extension for Units 1 and 2 at the Prairie Island nuclear power plant. The report concludes that there are no issues that would prevent the reactors for receiving license extensions.

With completion of the safety evaluation report, the NRC's staff is now evaluating the environmental portion of the license renewal application. If a final decision is made to grant license renewal, Unit 1 at Prairie Island would be able to operate until 2033, and Unit 2 would be able to operate until 2034.

#### **IAEA safeguards agreement now in force in India**

The International Atomic Energy Agency's (IAEA) Safeguards agreement with India has now officially come into force. By 2014, 14 out of 22 existing and planned reactors in India will come under safeguards. On October 15, Units 5 and 6 at the Rajasthan nuclear power plant formally came under the safeguards agreement. The two 220 megawatt PHWRs were completed but have not yet received fuel due to India's domestic uranium shortage. Now that they are under safeguards, they will be able to make use of imported uranium. Both units are now expected to be operational by January 2010. Units 1 and 2 at Rajasthan and Units 1 and 2 at Tarapur are already under IAEA safeguards dating from previous agreements as are two Russian VVER 1000 reactors under construction at Kudankulam. Unit 2 at Rajasthan has already received imported uranium. In 2010, Units 3 and 4 at Rajasthan will come under IAEA safeguards, and additional PHWRs will come under safeguards in 2012 and 2014.

#### **TEPCO considering uprates to meet Japan's goals for emissions reduction**

Tokyo Electric Power Company (TEPCO) is considering uprates for its existing reactors as a means of meeting government targets for reducing emissions. About one-third of the utility's electricity currently comes from nuclear power. Although reactor uprates are common in the U.S., they have not yet occurred in Japan. In a quote to *Bloomberg*, TEPCO managing director Sakae Muto stated, "It's very important for us to maximize the use of existing facilities.

Nuclear power has been the pillar for us and it will be for the future.” TEPCO has not yet determined which of its reactors will be uprated. Another utility, Japan Atomic Power Co., has requested government approval to boost the capacity of one of its three reactors by 5%.

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### ***CPS Energy to lower its stake in new reactors at South Texas Project***

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The Board of Trustees for CPS Energy, a utility owned by the city of San Antonio, has voted to approve continued participation in the construction of two new Advanced Boiling Water Reactors at the South Texas Project nuclear power plant. The board has directed the utility’s management to seek to reduce its ownership stake in the project from the current level of 40 percent to about 20 to 25 percent.

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### ***Japanese utility loads MOX fuel into reactor***

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According to an October 19 article from *Japan Times*, Kyushu Electric Power Company has completed the loading of MOX fuel into Unit 3 at the Genkai nuclear power plant. In early November, the utility plans to bring the reactor back online on a trial basis, and in early December it plans to bring the unit to full commercial operation with the use of the MOX fuel. Beginning in 2010, two other Japanese utilities also plan to use MOX fuel at some of their reactors.

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### ***Belgium allows reactors to operate for ten additional years***

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Belgium’s Council of Minister has decided to allow the nation’s three oldest reactors to operate for an additional 10 years until 2025. The previous policy had called for Units 1 and 2 at the Doel nuclear power plant and Unit 1 at the Tihange nuclear power plant to close by 2015. However, Belgium’s government will require around €215 million to €245 million in annual compensation from GDF Suez subsidiary Electrabel during

the period from 2010 to 2014 in exchange for allowing the increased operating life. The government also plans to require Electrabel to invest €500 million in renewable energy sources. The exact amount to be paid will be determined by market prices and production costs.

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### ***Rössing expects 4,000 t U<sub>3</sub>O<sub>8</sub> per annum until 2023***

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In an October 15 interview with *Reuters*, Rössing Uranium Limited’s General Manager for Corporate Services, Zebra Kasete, said the company is on track to produce 4,000 t U<sub>3</sub>O<sub>8</sub> (~8.8 million pounds U<sub>3</sub>O<sub>8</sub>) this year and plans to maintain that output until 2023. “We have a better understanding of the ore body...on average, 4,000 tonnes per year is what we expect to maintain,” said Kasete.

Kasete said Rössing was conducting further exploration to see if it could go beyond. Last year, Rössing produced ~9.2 million pounds U<sub>3</sub>O<sub>8</sub>. Rössing continues to explore the option of using a heap leach facility at a satellite deposit to boost output. A study on the project will be completed in the first quarter of 2009, said Kasete. Rössing had initially planned for the project to yield 1,000 tonnes of additional annual output, with first production expected in early 2011. “We are still targeting that number...but we will only be able to confirm that with the feasibility study,” added Kasete.

Rössing has also completed a study on building its own sulphuric acid plant to end its dependence on imports. However, the project has been placed on hold due to market conditions. “With acid prices dropping significantly lower and given the constraints in the financial markets...we’ve shelved this to be taken up at an appropriate time,” he said. The plant was expected to produce 1,200 tonnes of sulphuric acid per day.

In related news, Rio Tinto, which holds a 68.6% interest in Rössing Uranium Ltd., reported that third quarter production from the Rössing mine totaled 2,335,000 pounds U<sub>3</sub>O<sub>8</sub>, slightly lower

than 2,391,000 pounds U<sub>3</sub>O<sub>8</sub> produced in the same period a year ago. For the first nine months of 2009, the Rössing mine has produced 6,676,000 pounds U<sub>3</sub>O<sub>8</sub>, which is slightly ahead of the 6,477,000 pounds U<sub>3</sub>O<sub>8</sub> produced in the same period a year ago. Rio Tinto Uranium markets 100% of Rössing production.

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### ***ERA releases third quarter production results***

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On October 14, Energy Resources of Australia Ltd. (ERA) reported that third quarter production from the Ranger mine in Australia’s Northern Territory yielded 3,098,000 pounds U<sub>3</sub>O<sub>8</sub> (1,405 t U<sub>3</sub>O<sub>8</sub>), which was 17% higher than the September 2008 quarter due to higher plant utilization and higher throughput rates. Through the first nine months of 2009, the Ranger mill has produced 9,039,000 pounds U<sub>3</sub>O<sub>8</sub> (4,100 t U<sub>3</sub>O<sub>8</sub>).

The amount of ore mined declined 12 percent in the third quarter from the same period a year ago. ERA cited “intermittent interruptions to operations to allow increased surveillance” of an area of instability on Ranger’s southern wall. “This is not expected to impact on uranium oxide production in 2009,” said the press release.

ERA has continued studies on the development of a heap leach facility at the Ranger mine for the extraction of 15,000 to 20,000 tonnes U<sub>3</sub>O<sub>8</sub> contained in low grade material within the current pit and in existing stockpiles. The company approved spending A\$37 million for a detailed feasibility study into the facility, a process expected to continue through next year. ERA said a draft of an environmental impact statement of the proposed heap leach facility would be submitted by early next year to the Northern Territory government.

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### ***UEC to purchase South Texas Mining JV LLP***

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Uranium Energy Corp. (UEC) announced October 14 that it has entered into an agreement with URN Resources

Inc., a Uranium One subsidiary, and an agreement in principle with Everest Exploration Inc. to acquire 100% ownership interest in the South Texas Mining Venture, LLP (STMV). In order for UEC to facilitate transfer of the ownership interest, it has entered into a securities purchase agreement with URN to acquire all of its 99% interest in STMV, and has agreed to issue 2,500,000 shares of UEC common stock to make the acquisition. Further, UEC has agreed in principle to purchase all of Everest's assets, including its 1% interest in STMV. For this segment of the acquisition, UEC will issue 200,000 shares of common stock to Everest and complete a cash payment of \$1 million to Everest for expenses related to reclamation work.

The assets of the STMV include the Hobson ISR Processing Plant, which is fully licensed and permitted, and the advanced La Palangana uranium project. Acquisition will increase UEC's land position in Texas by five additional properties, all within 100 miles of the Hobson ISR Processing Plant.

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### ***Wildhorse signs agreement to develop Hungarian uranium properties***

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On October 13 Wildhorse Energy announced that it signed a cooperation agreement with Hungarian Government uranium mining and exploration entities Mecsek-Öko and MECSEKÉRC, to work towards recommencing uranium mining at the Mecsek Hills uranium project in Hungary. The Mecsek Hills uranium project covers an area over 72 square kilometers, which includes the former Mecsek Hills uranium mine, and Wildhorse's Pécs uranium project. The Mecsek Hills uranium mine had cumulative production of roughly 46 million pounds U<sub>3</sub>O<sub>8</sub>, prior to its closure in 1997. And, Wildhorse's current Pécs uranium project contains a JORC-compliant inferred resource of 30 million pounds U<sub>3</sub>O<sub>8</sub>, and a further exploration target of up to 120 million pounds U<sub>3</sub>O<sub>8</sub>.

Wildhorse, Mecsek-Öko, and

MECSEKÉRC are taking steps to finalize the current technical data of the project area via testing of the over 400 historical drill holes in the Mecsek Hills project. The partners also plan to commence a new drilling program in November 2009 to verify historical data and increase the inferred resource at the project area.

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### ***African Energy granted mining license approval for Chirundu project***

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African Energy Resources Limited announced October 15 that the Zambian Minister for Mines and Minerals Development has granted Large Scale Mining License 12634-HQ-LML to Albidon Exploration Limited for the development of the Chirundu uranium project. The mining license (ML) covers an area of 248 square kilometers and contains the Njame and Gwabe uranium deposits and the recently discovered Slamboka prospect, where exploration and resource delineation drilling programs are currently underway.

The ML has been granted for a period of 25 years, effective October 9, 2009, and is renewable at the end of this period. The granting of the ML represents a significant milestone in the development of the project, as it provides the joint venture partners with the right to conduct mining and mineral processing operations at Chirundu. The project is a joint venture between African Energy (70%) and Albidon Limited (30%). The Njame and Gwabe uranium deposits contain a total of 7.4 million pounds U<sub>3</sub>O<sub>8</sub> at 0.0293% in measured and indicated resources.

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### ***Forsys to partner with Morgan Stanley for strategic review***

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On October 14, Forsys Metals Corp. announced that pursuant to the termination of the transaction with George Forrest International Afrique S.P.R.L. (GFI), that its Board of Directors now plan to conduct a full review of potential strategic alternatives to examine and consider

opportunities available to the company in an effort to enhance shareholder value. Forsys has hired Morgan Stanley & Co. as its exclusive financial advisor in this matter and looks to its new partner to assess financing alternatives for the Valencia uranium project, explore new alliances, or possibly sell all or part of the business. Forsys has cautioned its shareholders that there is no guarantee that the strategic review will result in any specific strategic or financial transaction.

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### ***Titan begins PFS on Sheep Mountain project***

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Titan Uranium Inc. announced October 15 that it commenced a prefeasibility study (PFS) on its recently acquired Sheep Mountain uranium deposit, located in Fremont County, Wyoming. The company expects completion of the PFS in approximately six months. The PFS will allow for uranium resource evaluation, development of a multi-option mine plan, and will establish a new NI 43-101 resource estimate.

The Sheep Mountain uranium deposit was formerly an operating uranium mine, and completion of the PFS will aid in providing the documentation necessary to amend the present mine permit. The deposit hosts an NI 43-101 compliant resource of 15.6 million pounds U<sub>3</sub>O<sub>8</sub>.

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### ***Nova Scotia government plans legislative ban on uranium mining***

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Nova Scotia's current NDP government announced October 13 that it plans to introduce a legislative uranium mining ban in the fall session, but apparently it has trouble explaining why. Currently, there is a uranium mining ban in place, however, it is not a legislative ban, which means it can be lifted by the government at any time without the consent of the legislative assembly.

Natural Resources Minister John MacDonell said turning a long-standing ban into law was a response to public concerns. At a briefing, he said he heard some of those concerns while he

was a chairman of the legislature's resources committee, although he could not recall the details. "That was over a year ago, so if I was to speak kind of clearly on all of that, I might mislead you and I'd mislead myself," he told reporters. "So I won't go there," he added.

MacDonell said the proposed law would remove any incentive companies may have to search for uranium. "Even in the event of a discovery, the explorer can obtain no rights to the commodity and therefore has no opportunity to benefit from the discovery," he said. The proposed law is modeled after those in New South Wales and Victoria in Australia.

Peter Oram, President of the Mining Association of Nova Scotia, countered that people in the industry are disappointed. "We feel there really needs to be more fact-based, science-based discussion on policy," he stated. "This feels a little more like politics than policy." Liberal MLA Leo Glavine said he supported the moratorium but was left with unanswered questions about the proposed law. "I was hoping today that the minister himself would have come with a more depth of knowledge on the subject. I was surprised that he hadn't even conferred with his cabinet colleagues on this. So it's very much in tune with a political promise, as opposed to a well-researched document."

### Bayswater provides resource estimate for Anna Lake

On October 15, Bayswater Uranium Corporation announced the results of an independent NI 43-101 mineral resource estimate for its 100%-owned Anna Lake deposit located in the Central Mineral Belt of Labrador. The estimate indicates an inferred resource of 4.91 million pounds U<sub>3</sub>O<sub>8</sub> at 0.044% U<sub>3</sub>O<sub>8</sub> utilizing a 0.030% cutoff.

According to Bayswater President and CEO, George Leary, "The deposit currently remains open for expansion and delineation in all directions and is still in the very early stages of development with respect to its size, overall grade and tonnage potential. Infill, delineation and exploration drilling will be required at Anna Lake to build on the known resource and to move the deposit into the measured and indicated categories."

To date, no economic studies have been performed on Anna Lake. The company intends to initiate a scoping study to evaluate the economic potential of the deposit given its close proximity to Fronteer/Aurora's Michelin/Jacques Lake deposits. As part of the study, potential open pit design and underground mining assessments will be considered for the near surface and deeper uranium mineralization contained within the deposit.

### Uracan reports drill results from Grandroy zone at North Shore project

Uracan Resources Ltd. reported assay results from 3 of 9 drill holes completed at the Grandroy zone at the company's 100%-owned North Shore project in Quebec, Canada. Two of the nine drill holes encountered uranium mineralization. Drill hole GR-O9-07 intersected 0.213% U<sub>3</sub>O<sub>8</sub> over a length of 5.4 meters, starting at a depth of 5.8 meters. And drill hole GR-O9-08 intersected 0.089% U<sub>3</sub>O<sub>8</sub> over 10.5 meters, starting at a depth of 1.5 meters below surface. Additional assay results for Grandroy are pending.

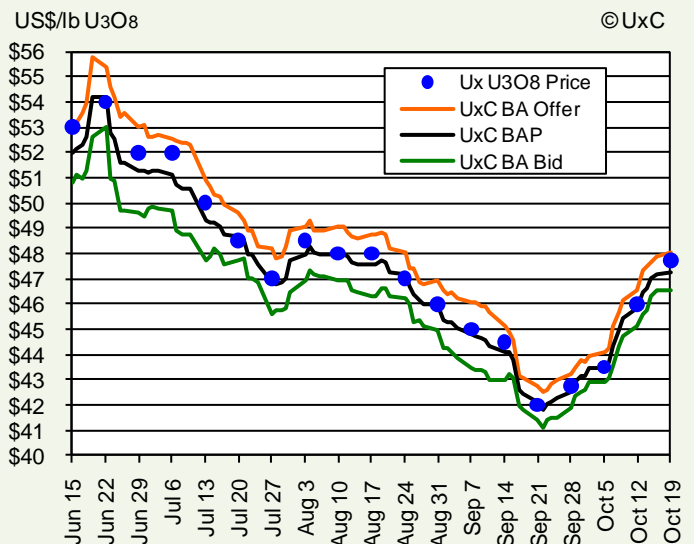
### U3O8 Corp. announces drill results at Aricheng Alpha

U3O8 Corp. announced October 15 that it received uranium assay results from its Aricheng Alpha target in the Kurupung Batholith in Guyana, South America. This is the first prospect to be drilled in an ongoing scout drilling campaign in the Kurupung uranium district. Drilling at Aricheng Alpha consisted of seven bore holes drilled for 1,613 meters. Highlights from this latest drill campaign include: 3 meters grading 0.041% U<sub>3</sub>O<sub>8</sub>, 5 meters grading 0.058% U<sub>3</sub>O<sub>8</sub>, 2 meters grading 0.114%, and 2 meters grading 0.124% U<sub>3</sub>O<sub>8</sub>.

### UxC Broker Average Price (BAP) Definition

The **UxC BAP** (Broker Average Price), subject to the terms listed, is a calculated average mid-point of bid and offer prices as supplied to UxC by participating brokers. The participating brokers are ICAP, MF Global, and Tullett Prebon (the "Brokers"). Data posted by the Brokers are kept confidential and will not be published or made available independently. The Broker data are subject to verification by The Ux Consulting Company, LLC (UxC), which compiles and reports the UxC BAP. In order to have a sufficient number of data points and to represent submissions by all of the Brokers, the UxC BAP includes the best bids and offers reported over a three-month forward period. This period is consistent with the three-month delivery period for offers considered in the determination of the **Ux U<sub>3</sub>O<sub>8</sub> Price**. On a daily basis, the Brokers submit their best bids and offers over a forward three-month period through a secure system. From these postings, UxC separately calculates the UxC Broker Average (BA) Bid and the UxC Broker Average (BA) Offer prices. The UxC BAP is a simple mid-point average of the **UxC BA Bid** and **UxC BA Offer** prices. Other Broker data collected include lot volume on a per offer basis. The UxC BAP is published on a daily basis and is made available to subscribers through email updates and UxC's Subscriber Services website.

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# The Market

## Uranium Spot Market

The market maintained its upward momentum over the past week in the wake of the Olympic Dam accident announcement. Over this period, sellers raised their offer prices on a fairly consistent basis, as a variety of buyers sought to conclude deals. However, there was some slowdown in the upward momentum as the week ended, and, as Monday was coming to a close, the spread of bids and offers appeared to widen. Based on the most competitive offer of which we are aware, the Ux U<sub>3</sub>O<sub>8</sub> Price now stands at \$47.75 per pound, up \$1.75 for the week.

There remains a full mix of buyers and sellers including producers, utilities, traders, financial players, and others active in the market. Over the past week, eight spot transactions have been reported as awarded, totaling a little over one million pounds U<sub>3</sub>O<sub>8</sub> equivalent. For the month, a total of 17 transactions for 2.2 million pounds U<sub>3</sub>O<sub>8</sub>e have been reported, with year-to-date spot volume at 41.7 million pounds U<sub>3</sub>O<sub>8</sub> equivalent under a total of 178 spot transactions.

Going into this week, it looks like the rate of price increase may be slowing, with the UxC BAP up only \$0.07 on Monday (see discussion below). This comes at the same time that the NEI conference is being held in Austin, Texas, where buyers and sellers alike are trying to get some indication of where the market is headed. There has also been a widening of bids and offers, which could be indicative of the uncertainty behind the future course of the market.

It is likely that most market participants are awaiting the announcement by BHP Billiton on October 21<sup>st</sup> regarding the status of the accident at Olympic Dam, where a report assessing the extent of the damage is expected to be issued. If the problem is severe, the period where production is occurring at a much reduced rate would be extended, and this would impact demand and price expectations in the market.

It is also the case that the market is now into its fourth week of price increases, and, buyers, aware of this, may be reluctant to chase price higher, recognizing that the last four price upticks have lasted no more than six weeks. If the news about Olympic Dam is not good

Ux Price Indicators (€ Equiv**)			
<b>Weekly (10/19/09)</b> 1 US\$ = .66834€			
<b>Ux U<sub>3</sub>O<sub>8</sub> Price</b>		<b>\$47.75</b>	<b>€31.91</b>
<b>Mth-end (9/28/09)</b> 1 US\$ = .68425€			
U <sub>3</sub> O <sub>8</sub>	Spot	<b>\$42.75</b>	€29.25
	Long-Term	<b>\$64.00</b>	€43.79
Conversion	NA Spot	<b>\$6.25</b>	€4.28
	NA Term	<b>\$11.75</b>	€8.04
	EU Spot	<b>\$8.50</b>	€5.82
U <sub>6</sub> Spot	EU Term	<b>\$13.25</b>	€9.07
	NA Price	<b>\$117.50</b>	€80.40
EUP	NA Value*	<b>\$117.95</b>	€80.70
	EU Value*	<b>\$120.20</b>	€82.24
SWU	Spot	<b>\$160.00</b>	€109.48
	Long-Term	<b>\$164.00</b>	€112.22
EUP	NA Spot**	<b>\$2,202</b>	€1,507
	NA Term**	<b>\$2,851</b>	€1,951

from a production standpoint, price increase continuing beyond six weeks stands a good chance of occurring, as it likely would result in additional buying activity and higher offers posted by suppliers.

## UxC Broker Average Price

The UxC Broker Average Price (BAP) witnessed its fourth straight week of increases this week in terms of the broker's best bids and offers. The UxC BAP began the week up \$0.62 to \$46.45. The BAP's mid-point continued to increase throughout the week, but by

UxC Market Statistics				
Monthly (Oct)	Spot		Term	
	Volume	# Deals	Volume	# Deals
U <sub>3</sub> O <sub>8</sub> e (million lbs)	2.2	17	0	0
Conv. (thousand kgU)	W	4	0	0
SWU (thousand SWU)	0	0	0	0
2009 Y-T-D	Spot		Term	
	Volume	# Deals	Volume	# Deals
U <sub>3</sub> O <sub>8</sub> e (million lbs)	41.7	178	>75.0	25
Conv. (thousand kgU)	>5,800	58	>20,000	>12
SWU (thousand SWU)	>1,536	7	49.1	27

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

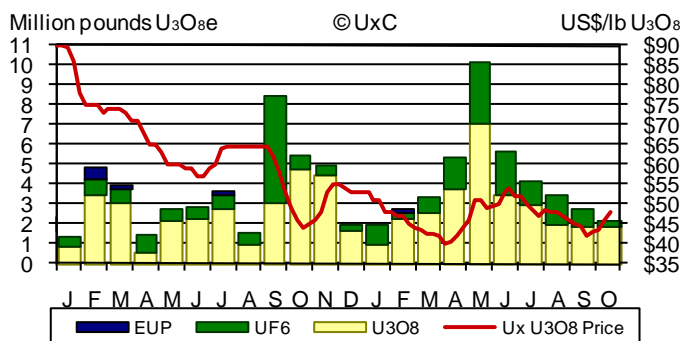
## UxC Leading Price Indicators

Three-month forward looking price indicators, with publication delayed one month. Readings as of Sep 2009.

<b>Uranium</b> (Range: -17 to +17)	<b>-5</b> [down 2 points]
<b>Conversion</b> (Range: -16 to +16)	<b>-4</b> [down 1 point]
<b>Enrichment</b> (Range: -18 to +18)	<b>+9</b> [unchanged]

<b>Platts Forward Uranium Indicator</b>	<b>\$45.00-\$51.00</b>
A forward one-week outlook.	As of 10/19/09 (US\$/lb)

## Ux U<sub>3</sub>O<sub>8</sub> Price vs. Spot Volume by Form

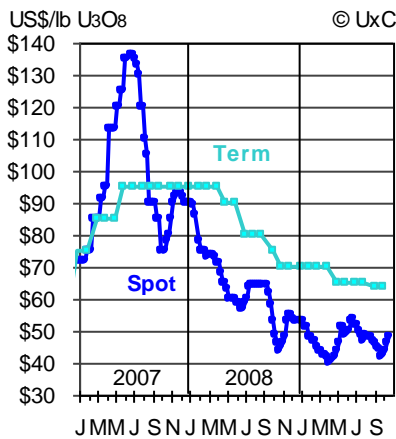


## Do You Sing?

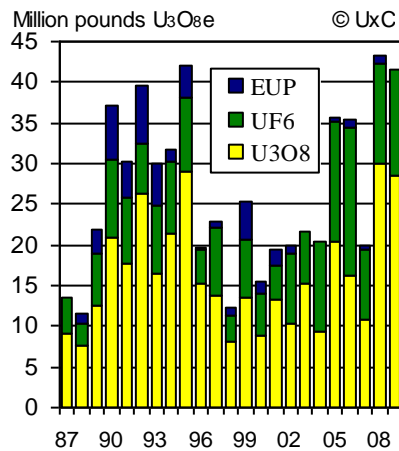
“Do you sing?”  
 “Of course I do.”  
 “What kind of music?”  
 “Aquadella.”  
 “Don’t you mean ‘a cappella’, singing without accompaniment?”  
 “Nope. I mean ‘aquapella,’ singing accompanied only by the water coming out of the shower head.”



## Ux U<sub>3</sub>O<sub>8</sub> Prices



## Annual Spot Uranium Volumes



narrowing amounts by midweek. As the weekend drew closer, the UxC BAP midpoint continued to increase but at smaller increments. Today's UxC BAP midpoint finished up \$0.07 on the day, and up \$1.45 over last week's posting of \$45.83, to today's posting of \$47.28. The UxC BA Offer is up \$1.48 over last week's posted BA Offer of \$46.56 to

## 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<sub>3</sub>O<sub>8</sub> Price (Spot)** includes conditions for delivery timeframe ( $\leq 3$  months), quantity ( $\geq 100,000$  pounds), and origin considerations, and is published weekly. The **Ux LT U<sub>3</sub>O<sub>8</sub> Price (Long-Term)** includes conditions for escalation (from current quarter), delivery timeframe ( $\geq 24$  months), and quantity flexibility (up to  $\pm 10\%$ ) 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<sub>6</sub> Price** includes conditions for delivery timeframe (6 months), quantity (50-150,000 kgU), and delivery considerations. \*The **Ux NA and EU UF<sub>6</sub> Values** represent the sum of the component conversion and U<sub>3</sub>O<sub>8</sub> (multiplied by 2.61285) spot prices as discussed above and, therefore, do not necessarily represent the most competitive UF<sub>6</sub> 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 4.50% and a tails assay of 0.30%, 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<sub>3</sub>O<sub>8</sub> Price, are published the last Monday of each month. (Units: U<sub>3</sub>O<sub>8</sub> = US\$ per pound, Conversion/UF<sub>6</sub>: 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.

today's \$48.04. The UxC BA Bid increased \$1.42 to today's posted \$46.53 over last week's \$45.11.

## Broker Postings

Broker postings for both Tullett Prebon and MF Global were again up this week in terms of both bids and offers. Tullett Prebon's best offer posting is at \$48.00, which is up \$1.00 over last week's best offer of \$47.00 per pound. MF Global's best offer increased \$1.50 from last week's \$46.50 to today's best offer posting of \$48.00 per pound. Both offers are for ConverDyn delivery in November.

MF Global's best bid increased by \$1.25 over last week's posting of \$44.50 to this week's \$45.75 per pound. Tullett Prebon's best bid increased by \$1.25 this week, over last week's posting of \$45.00, to today's price of \$46.25.

## Fund Implied Prices (FIP)

The MF Global and Tullett Prebon FIP's increased this week. Tullett Prebon's FIP rose this week by \$2.18 over last week's posted \$45.35 per pound to this week's \$47.53 per pound. MF Global's FIP increased by \$1.33 over last week's posting of \$45.46 to this week's \$46.79 per pound.

## U<sub>3</sub>O<sub>8</sub> Futures Market

The week began with a strip increase in NYMEX futures month's pricing of \$2.50 for all months, except for September

2009, which was closed out on September 15. Minor increases were posted in October and November 2009, which were increased by \$0.75 and \$0.25, respectively. Other adjustments were applied elsewhere to the strip. Total contract volume for 2009 remains unchanged at 4,368 contracts (1,092,000 pounds U<sub>3</sub>O<sub>8</sub>). With the closing of the September 2009 contract month, open interest did adjust downward by 300 contracts and now stands at 3,568 contracts (892,000 pounds U<sub>3</sub>O<sub>8</sub>).

## Uranium Term Market

Four U.S. utilities remain active in the term market. The first received offers last week based on its request for deliveries in 2011-2013. A second is evaluating offers for up to 4.2 million pounds U<sub>3</sub>O<sub>8</sub> equivalent with deliveries in 2016-2021. The third utility is out for up to 100% of requirements for delivery in 2011 through 2020, totaling about 4.7 million pounds U<sub>3</sub>O<sub>8</sub> equivalent. The fourth utility is evaluating offers based on its sizeable request, with deliveries through 2025. A non-U.S. utility is evaluating offers for nearer-term delivery of about 5 million pounds U<sub>3</sub>O<sub>8</sub>e. Another non-U.S. utility is evaluating offers for up to 10 reloads with deliveries in 2010-2016. A third non-U.S. utility is looking for uranium totaling just over 2.6 million pounds U<sub>3</sub>O<sub>8</sub> with delivery in 2014-2018, and optional years in 2019-2025.

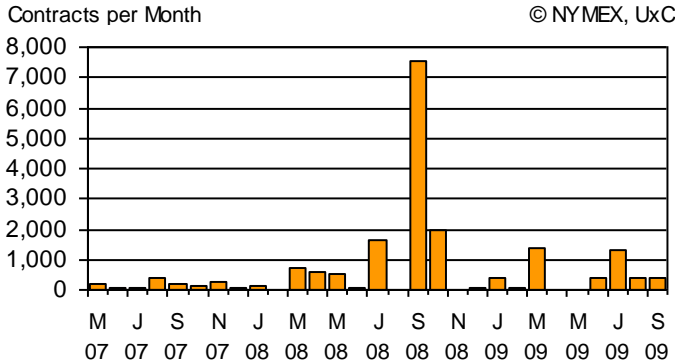
The Platts Forward Uranium Indicator price range belongs to Platts, a McGraw Hill Company, and is published with permission. Definitions of these prices are available from their original source.

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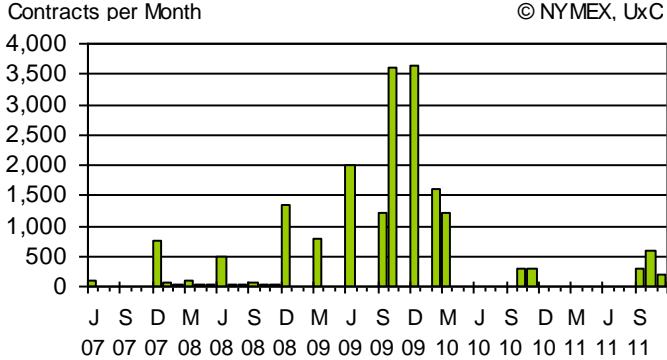
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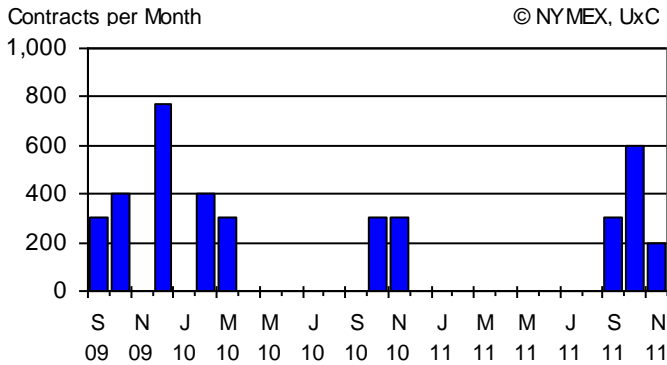
**NYMEX Ux Futures Activity**  
**Total Contracts by Transaction Month**



**Total Contracts by Settlement Month**



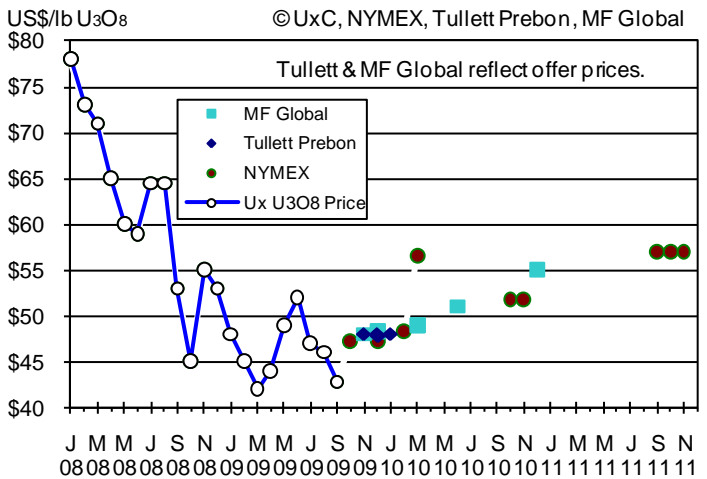
**Open Interest by Settlement Month**



**NYMEX UxC Uranium U<sub>3</sub>O<sub>8</sub> (UX) Futures Activity**

Prices as of 10/19/09		Activity for 5/7/07-8/14/09			
Settlement	Price	Volume	Open	High	Low
Jun 2008	\$59.00	478	N/A	\$119.00	\$56.00
Jul 2008	\$64.50	41	N/A	\$117.00	\$63.00
Aug 2008	\$64.50	40	N/A	\$117.00	\$75.00
Sep 2008	\$53.00	81	N/A	\$117.00	\$84.00
Oct 2008	\$45.00	40	N/A	\$117.00	\$70.00
Nov 2008	\$55.00	40	N/A	\$117.00	\$75.00
Dec 2008	\$53.00	1,352	N/A	\$117.00	\$42.00
Mar 2009	\$42.00	800	N/A	N/A	N/A
Jun 2009	\$52.00	2,002	N/A	\$67.00	\$48.00
Sep 2009	\$42.75	1,200	N/A	N/A	N/A
Oct 2009	\$47.25	3,600	400	N/A	N/A
Dec 2009	\$47.25	3,625	768	\$85.00	\$46.00
Feb 2010	\$48.25	1,600	400	N/A	N/A
Mar 2010	\$56.25	1,200	300	N/A	N/A
Oct 2010	\$51.75	300	300	N/A	N/A
Nov 2010	\$51.75	300	300	N/A	N/A
Sep 2011	\$57.00	300	300	N/A	N/A
Oct 2011	\$57.00	600	600	N/A	N/A
Nov 2011	\$57.00	200	200	N/A	N/A
<b>Totals:</b>		<b>18,950*</b>	<b>3,568</b>		*Includes from May 2007.

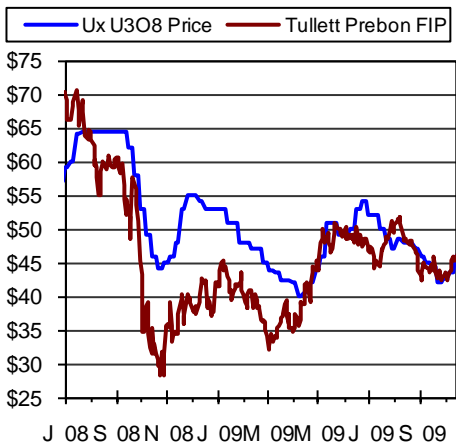
**Ux, NYMEX, MF Global, & Tullett Prebon U<sub>3</sub>O<sub>8</sub> Prices**



**Fund Implied Price (FIP)**  
**10/19/09 (US\$/lb U<sub>3</sub>O<sub>8</sub>)**

Tullett Prebon	MF Global
\$47.53	\$46.79

**Ux U<sub>3</sub>O<sub>8</sub> Price vs. Tullett Prebon FIP**



**Tullett Prebon Physical Forwards Activity as of 10/19/09**

COD: Convertor Delivered – Bid / Ask Offer Ranges US\$/lb U<sub>3</sub>O<sub>8</sub> (\* form as UF<sub>6</sub>)

Delivery	USA-ConverDyn	Europe-Comurhex	Canada-Cameco
Nov 2009	\$46.25x100K/ \$48.00x100K	/	/
Dec 2009	\$46.25x100K/ \$48.00x100K	\$46.25x100K/ \$47.75x100K	/
Jan 2010	\$46.50x100K/ \$48.00x100K	/	/
1Q10	\$46.75x100K/	/	/
2Q10	/	/	/
3Q10	/	/	/
4Q10	/	/	/
1Q11	/	/	/
2Q11	/	/	/

**MF Global Physical Forwards Activity as of 10/19/09**

Delivery	USA-ConverDyn	Europe-Comurhex	Canada-Cameco
Oct 2009	/	/	/
Nov 2009	\$47.75x100K/ \$48.00x100K	/	/
Dec 2009	\$47.75x100K/ \$48.25x100K	/ \$48.25x100K	/ \$48.25x100K
1Q10	\$45.50x100K/ \$49.00x100K	/ \$49.00x100K	/ \$49.00x100K
2Q10	/ \$51.00x100K	/	/
3Q10	/	/	/
4Q10	/ \$55.00x100K	/	/
1Q11	/	/	/
2Q11	/	/	/