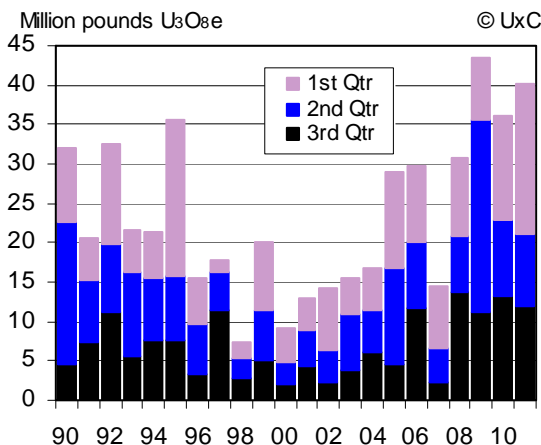


## Third Quarter Spot Uranium Review

The third quarter of 2011 was generally a calm one that witnessed some price volatility and a moderate but consistent stream of spot volume, as the number of transactions increased considerably but at lower average volumes. Classic supply/demand market fundamentals were displayed on a small scale during the quarter, as demand declined during those times that price increased, but increased when price fell. The spot price fell to its lowest level for the year at the end of August before rebounding slightly by the end of the quarter. Below is a brief review of some of the other highlights from last quarter.

**Price** – The spot Ux U<sub>3</sub>O<sub>8</sub> Price started the first week of the quarter down \$1.50 to \$52.75 per pound. The price edged back up the next week, but ended the month lower at \$51.50. After a quick first week increase in August, the price continued to fall during the month, ending August at \$49.00 per pound and hitting the lowest point to date this year. In September, the spot price recovered somewhat at \$54, as it peaked in the

### Comparison of Quarterly Spot Volumes



middle of the month before settling down at \$52.50 by the end of the month. Although the spot price was volatile during the quarter, the price ended only \$0.25 lower than where it began during the first week of the quarter.

**Buying Activity** – As discussed below, utility buying declined somewhat, but overall activity was notably higher than that posted during the second quarter. This is interesting given that on repeated occasions a number of participants discussed views that activity was or appeared to be slowing considerably. Over the past quarter, there were a number of demand spurts followed by short pullbacks from the market by active buyers. A number of participants also reported anticipating that the spot price would fall near the end of each month, followed by expected rebounds at the beginning of the next month. These expectations also impacted the timing of some activity, further contributing to the more sporadic nature of market activity over the quarter and the volatility in the spot price.

**Volume** – After a new quarterly record of 113 transactions was set during the first quarter, the second quarter slowed somewhat with only 68 transactions concluded. However, over the past quarter (including the July and August summer months), reported market activity resulted in 96 spot transactions, placing the third quarter in an all-time second place activity position. While the number of transactions has

Ux U<sub>3</sub>O<sub>8</sub> Price: (10/24/11)  
\$51.75 (-\$1.00)

Ux LT U<sub>3</sub>O<sub>8</sub> Price: (9/26/11)  
\$64.00

### Ux Weekly Uranium Spot Prices



continued to increase this year, volume has been slower to increase as the average size of individual transactions has once again fallen. Total volume for the third quarter is 11.8 million pounds U<sub>3</sub>O<sub>8</sub> equivalent, an increase from the second quarter's 9.2 million pound level, but far less than the 19 million pounds U<sub>3</sub>O<sub>8</sub> reported during the first quarter.

These volume levels resulted in an average transaction size of 123,000 pounds per deal for the third quarter, which is a new record low, falling below the 131,000 pound record set back in the first quarter of 1988 (a time in which only 12 transactions were reported for the entire quarter). The average transaction size during the record transaction pace set in the first quarter of this year was 168,000 pounds and the average size in the second quarter fell to 136,000 pounds. For the year, the average transaction size has fallen to 144,000 pounds U<sub>3</sub>O<sub>8</sub>, down from the 186,000 pound level reported for 2010. If this held throughout the remainder of the

year, it would set an annual low transaction size record.

**Form** – For the third quarter, UF<sub>6</sub> activity picked up slightly, accounting for about 22% of the overall volume (2.6 million pounds U<sub>3</sub>O<sub>8</sub>e), increasing in both percentage and absolute volume over the second quarter, but down from the first quarter levels. During the first part of the quarter, UF<sub>6</sub> offers were tracking component pricing fairly closely. This trend continued for most of the quarter, although UF<sub>6</sub> offers were becoming more competitive near the end of the quarter. Straight conversion activity fell during the quarter, with any potential demand appearing to be filled with UF<sub>6</sub> purchases. Although UF<sub>6</sub> volume was up slightly, U<sub>3</sub>O<sub>8</sub> remains the primary form accounting for a 76% share with volume totaling right at nine million

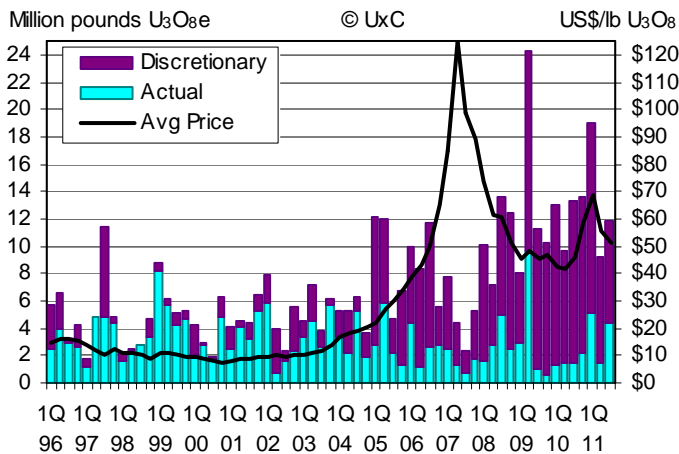
pounds. While absent during the second quarter, enriched uranium product (EUP) sales posted a couple of transactions and represented about two percent of the third quarter volume.

**Buyers & Sellers** – Utility buying remained active last quarter, accounting for just over three million pounds U<sub>3</sub>O<sub>8</sub>e of purchase volume and coming close to that posted during the second quarter (3.7 million pounds U<sub>3</sub>O<sub>8</sub>e). However, utility buying was down from the first quarter (5.8 million pounds U<sub>3</sub>O<sub>8</sub>e). At the three million pound level, utilities accounted for only 26% of the overall third quarter volume, with traders/others accounting for the lion's share at 65%, and producers making up the remaining 9%. Activity from each of the purchase groups remained fairly consistent throughout the quarter. On the sell side,

**Need & Method** – For the past several years, discretionary buying has been a driving force in the spot market, and activity levels have been fairly reactionary to price. While this trend continues, a higher level of spot activity over the past quarter has been attributed to actual demand (demand for specific reactor requirements or specific delivery coverage). Over 37% of overall third quarter volume has been attributed to actual need purchases, with the remaining 63% still considered discretionary. This level is up from the 27% and 15% shares reported during the first two quarters. With respect to the purchase method, most activity remains classified as off-market since participants continue to be very sensitive about having their information broadcast to the industry.

**Fourth Quarter Outlook** – While slowing of spot activity has been discussed a number of times over the past several quarters, final spot volume tallies have suggested otherwise. However, over the past several weeks, reported spot volume has fallen with only about three to four transactions added to the database per week. Bid levels have pulled back and fewer participants have made buying interests known. As such, it may take lower prices to again spur spot demand to keep volume levels up as we approach the end of the year and, as such, price could retest the \$50 level.

### Quarterly Spot Volume vs. Ux Average Price



traders/others remain the primary selling group at 71% of the overall volume, but producers stepped up, coming in at just under 30% of the volume. This level is up from the 15% and 12% shares posted during the first and second quarters, respectively.

### Uranium Spot Market Statistics

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

	2008			2009					2010					2011			
	3Q	4Q	Yr.	1Q	2Q	3Q	4Q	Yr.	1Q	2Q	3Q	4Q	Yr.	1Q	2Q	3Q	Yr.*
<b>Total Volume</b>	13.6	12.4	43.3	8.0	24.3	11.2	10.2	53.8	13.1	9.6	13.3	13.6	49.6	19.0	9.2	11.8	41.4
# Transactions	61	62	217	28	83	55	59	225	57	51	69	90	267	113	68	96	287
Leadtime (mths)	2.6	1.4	2.0	2.8	3.2	2.3	2.2	2.7	1.9	2.9	2.2	2.3	2.3	1.9	1.4	1.2	1.5
<b>Form</b>																	
U <sub>3</sub> O <sub>8</sub> Total	6.8	10.8	29.9	5.9	16.5	7.3	8.2	38.0	9.3	7.0	10.4	11.3	38.0	12.4	7.6	9.0	29.7
UF <sub>6</sub> Total	6.7	1.5	12.5	2.0	7.0	3.9	2.0	14.9	3.8	2.6	2.1	2.3	10.8	6.0	1.7	2.6	10.7
EUP Total	0.1	0.0	0.9	0.2	0.8	0.0	0.0	0.9	0.0	0.0	0.7	0.0	0.7	0.7	0.0	0.2	0.9
<b>Need</b>																	
Actual	4.9	2.5	11.8	2.9	9.7	1.1	0.6	14.2	1.4	1.5	1.5	2.2	6.5	5.2	1.4	4.4	11.5
Discretionary	8.7	9.9	31.4	5.1	14.7	10.2	9.6	39.6	11.7	8.1	11.8	11.4	43.0	13.8	7.8	7.4	29.9
<b>Method</b>																	
On-market	0.8	2.1	4.7	0.3	1.2	0.4	1.4	3.3	1.4	2.3	1.1	1.4	6.2	2.6	0.5	0.7	3.8
Off-market	12.8	10.3	38.5	7.7	23.2	10.8	8.8	50.6	11.7	7.4	12.2	12.1	43.4	16.4	8.8	11.2	37.6

# News Briefs

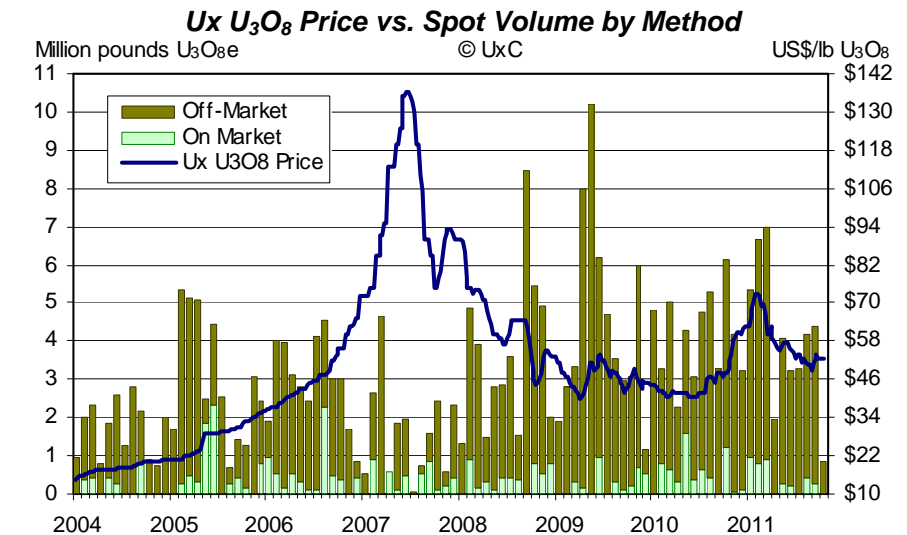
## Rio Tinto makes all-cash offer for Hathor Exploration

On October 19, Rio Tinto announced that it made an all-cash offer for all the common shares of Hathor Exploration Ltd. at a price of C\$4.15 per common share. The Rio Tinto offer is valued at approximately C\$578 million on a fully-diluted basis. Both companies have already entered into a support agreement for the offer. Rio Tinto Chief Executive Doug Ritchie said, "This acquisition will allow us to build on the platform successfully laid out by Hathor and we will continue to draw on their expertise and commitment going forward."

A special committee of Hathor has already reviewed the terms and conditions of Hathor and has recommended to Hathor's Board of Directors that the Rio Tinto offer is in the best interests of Hathor's shareholders and unanimously recommends that shareholders accept the Rio Tinto offer. The directors and senior management of Hathor have entered into lock-up agreements with Rio Tinto and have agreed to tender all of their common shares to the Rio Tinto offer. This equates to 6,351,400 shares or approximately 4.6% on a fully diluted basis. The Rio Tinto offer will be open for a period of not less than 35 days and the Rio Tinto offer will be subject to certain customary conditions.

## ConverDyn and Urenco partnership to seek potential DOE uranium contract

In a joint press release issued on October 20, ConverDyn and Urenco announced a Competitive American Tails Upgrade Partnership (CATUP). The two companies plan to work together to bid for a possible contract from the U.S. Department of Energy (DOE) to upgrade and manage depleted uranium stocks. "By employing American conversion and enrichment assets combined with inventories of uranium concentrates secured



by CATUP, the partnership is prepared to immediately work with and on behalf of DOE to help convert unusable depleted uranium into a valuable energy asset as well as reduce the volume of depleted uranium that will ultimately need to be disposed of," said the press release.

## USEC Updates Discussions with DOE on the American Centrifuge Project

USEC announced on October 21 that it has been in discussions with the Department of Energy (DOE) to work jointly on a Research, Development, and Demonstration (RD&D) program in order to reduce the technical and financial risk of commercialization of its American Centrifuge technology. The RD&D program is expected to involve manufacturing and operating additional ACP production design machines so that key systems can be tested as they would actually operate at the scale necessary for full commercialization.

The discussions between USEC and the DOE contemplate a cost-sharing arrangement for the RD&D program. The cost share would consist of an 80%-20% federal-private split during an initial technical verification phase and a 20%-80% federal-private split for the balance of the RD&D program. The federal government's contribution would be capped at \$300 million.

USEC is also working with its strategic

investors, Toshiba and B&W, to determine how best to structure ongoing investment in the ACP project and move forward with the RD&D program. In August, USEC and its strategic investors had extended a recent standstill agreement that named a target date of October 31, 2011 to receive a \$2.0 billion conditional loan guarantee from the DOE and complete the second phase of a three phase investment. According to USEC, while no final decision on USEC's loan guarantee application has been made (as of October 21), USEC's loan guarantee application will remain pending during implementation of the RD&D agreement between USEC and the DOE. "This [the RD&D program] preserves a path for USEC and our shareholders to obtain value from the investment they have made in the American Centrifuge Project," commented John Welch, president and CEO of USEC. USEC also noted that if an agreement with the DOE on an RD&D program and funding is reached, then further demobilization of the ACP program would be avoided.

## GDF Suez threatens to close reactors if Belgium raises nuclear taxes

On Wednesday, GDF Suez said that it would reconsider plans for investment in Belgium if the government approves a nuclear tax increase. In a statement, the company warned that it could cancel

spending on upgrades to extend lifespans for Belgium's three oldest reactors if the government raises taxes on nuclear energy. The three reactors, Units 1 and 2 at Doel and Tihange 1 would close in 2015, if GDF Suez cancels plans for lifespan extensions. The company also said it would go to court to try to block any tax increases. Negotiations are now underway among six political parties in Belgium to form a government. The negotiations are currently focused on budget issues, and Belgian daily *L'Echo* has reported that one key party official has called for a €1 billion annual levy on the nuclear industry.

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### **China nuclear industry official believes nation will cut 2020 target**

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The Vice President of the China Nuclear Energy Association, Li Yongjian, believes China will most likely reduce its nuclear target for 2020 following the Fukushima disaster. China was expected to release a new nuclear capacity target for 2020 sometime this year, and many observers had expected a new target of 86 gigawatts. However, Li pointed out that 86 gigawatts would have been a challenging target even before Fukushima, and said that nuclear capacity will be reduced due to the government's decision to suspend development of new reactors in order to carry out safety examinations. "The government wants to address public concern over the safety of nuclear development," said Li as quoted by *Bloomberg*. "Capacity will fall somewhere between 60 and 70 gigawatts, as some planned projects have to be scaled back or canceled." Although the increased emphasis on safety will slow down the rate of nuclear growth, Li believes that over the longer term, China's plans for development of nuclear power are unlikely to be significantly altered.

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### **CEZ plans to build new reactors at Temelin remain on track**

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Czech utility CEZ has stated that it is

sticking with its plans to build new reactors despite opposition from Germany and Austria and an uncertain legislative environment in the European Union. "We have to defend that with reference to the Lisbon Treaty which says that each country has the right to pick its own energy mix and at the same time it does not have the right to interfere and tell other countries how they should be thinking about their energy mix," said CEZ sales chief Alan Svoboda as quoted by *Reuters*.

By the end of the month, CEZ plans to release the final conditions of its bid for the construction of new reactors. Three bidders are competing for the contract to build new reactors at the Temelin nuclear power plant including AREVA, Westinghouse, and a consortium of Atomstroyexport and Czech firm Skoda. The contract would initially be for the construction of two new reactors at Temelin but also includes options for another three reactors. CEZ expects to select the winning bidder in 2013, and complete the first new reactor at Temelin in 2022 or 2023. The second new unit is expected to come online about a year later.

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### **Milestone achieved at EPR under construction in China**

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On October 24, AREVA and EDF announced the successful installation of the dome on the reactor building of Unit 1 at the Taishan nuclear power plant in China. Construction work at the Taishan 1 European pressurized reactor has been in progress for more than two years. "The dome installation on the reactor building of unit 1 of the future EPR nuclear power plant is an important symbolic milestone for the construction of the EPR in China. This operation is in line with the cooperation between EDF and the Chinese nuclear sector, as one has seen it with Daya Bay and Ling Ao," said Hervé Machenaud, EDF's Group Senior Executive in charge of Production and Engineering. The Taishan nuclear power plant project is owned by a joint

venture of China Guangdong Nuclear Power Group with a 70% stake and EDF with a 30% stake. Unit 1 at Taishan is expected to begin operation in 2013, and Unit 2 is expected to begin operation in 2014.

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### **China's Guangdong nuclear could invest in new reactors in Romania**

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According to an October 19 article from *Reuters*, China Guangdong Nuclear Power is considering an investment in two planned reactors at the Cernavoda nuclear power plant in Romania. Romania's economy ministry stated that nuclear operator Nuclearelectrica signed a confidentiality agreement with China Guangdong that gives the Chinese company access to information on means of investment in the project.

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### **Fuel loading begins for new reactor in Russia**

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On October 20, fuel loading commenced for Unit 4 at the Kalinin nuclear power plant in Russia. The 1,000 megawatt VVER-1000 reactor is expected to begin generating electricity in late November. Construction on Kalinin 4 first began in 1986 but was suspended in 1991. Construction then resumed in 2007.

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### **Stress tests successfully completed for India's nuclear power plants**

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The head of India's Department of Atomic Energy, Srikumar Banerjee, has stated that all of the nation's nuclear power plants have successfully completed stress tests and are able to operate safely. Banerjee also stressed that the two Russian-built reactors nearing completion at the Kudankulam site are the nation's safest. There has been heavy protest against the Kudankulam reactors, the first of which is scheduled to begin initial operation by the end of the year.

In related news, the Department of Atomic Energy has announced the formation of a 15-member Expert Group

that will work with officials and the public in the state of Tamil Nadu to ease fears regarding the Kudankulam nuclear power plant. The group will include engineers, scientists, academics doctors, and various specialists.

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### **Oldbury Magnox plant to cease operation in February**

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In an October 21 press release, Energy-Solutions subsidiary Magnox Limited announced that Unit 1 at the Oldbury nuclear power plant in the UK will cease operation in February 2012. The 217 megawatt reactor had previously been authorized to operate until December 2012, but stakeholders determined that it would not be economically viable to continue operating the reactor past February. "The proactive decision to shut down Reactor One, the only operational reactor at Oldbury, was taken after careful consideration by operators Magnox and the site owners the Nuclear Decommissioning Authority (NDA), in conjunction with independent regulators the Office for Nuclear Regulation (ONR)," said the press release. When Oldbury 1 closes, Units 1 and 2 at Wylfa will be the only remaining Magnox reactors in operation. Wylfa 1 and 2 are scheduled to close at the end of 2012.

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### **SA Premier Rann to consider shipments of uranium to India**

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On October 20, *The Australian* reported that South Australia's (SA) Premier Mike Rann stated that he might soon begin discussions on exporting Australian uranium to India. "We've seen various groups...recognizing India and so I think it's probably time to have a rethink on that in terms of the very strict standards that India is prepared to sign up to." Mr. Rann's comments came a week after he approved BHP Billiton's proposal to expand the Olympic Dam mine in northern South Australia.

Rann's suggestion that Australian uranium could be shipped to India is a sea change from his previous stance that exports of Australia's uranium to

India was a "potential mistake" and "extremely foolhardy." Australia's Labor Party is generally opposed to exporting uranium to India since it is not a signatory to the UN Nuclear Non-Proliferation Treaty (NPT).

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### **TEPCO to possibly sell uranium mining rights**

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Multiple news sources reported on October 23 that Tokyo Electric Power Co. (TEPCO) and Japan's Nuclear Damage Liability Facilitation Fund are in talks to sell TEPCO's stakes in uranium mining rights the utility holds overseas. According to the *Yomiuri Shimbun*, TEPCO is planning to sell its mining rights to mines in Kazakhstan and Canada for several tens of billions of yen. The report further stated that in order to aid in Japan's future energy security, TEPCO will sell these mining rights only to other Japanese companies.

*Dow Jones Newswires* contacted TEPCO about the *Yomiuri Shimbun* report and the utility denied the allegations and said it has no plans to sell its uranium mining rights.

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### **Olympic Dam mine bill goes before SA Parliament**

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Multiple news sources reported that BHP Billiton's Olympic Dam mine extension plan was introduced to the South Australian (SA) Parliament on October 18. This follows the signing of an indenture agreement between the SA Government and BHP Billiton last week. SA's Premier Mike Rann told Parliament, "I urge all members to put South Australia first and ratify the indenture before the end of the year." The Opposition has yet to declare support for the legislation, but is considered unlikely to block it. However, the Greens have recently vowed to make major amendments in the Upper House and to take the matter into the next year if necessary.

According to an October 19 article in the *Sydney Morning Herald*, Senior BHP Billiton executives are expected to face public scrutiny over the expansion of the

Olympic Dam mine, following the South Australian Parliament setting up a committee to investigate the project's legal agreement. The document setting out legal and financial arrangements for the expansion project, which analysts expect to cost around US\$30 billion, was made public on October 18 after being tabled by Parliament.

Despite the desire of Premier Mike Rann and BHP for Parliament to approve the bill as quickly as possible, the process will be slowed to allow an investigation by a committee of senior opposition and government members. The committee is not expected to report back until November 8.

Olympic Dam's Minister Kevin Foley stated that the actual agreements for the mine's expansion cannot be changed. "The environmental impact statement is approved by the state the BHP and the Government and cannot and will not be altered, as with the indenture itself is a negotiated contractual agreement between a sovereign government and the company and is not up for renegotiation at all," he said. BHP Billiton plans to make a board decision on whether to expand the mine or not.

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### **BHP's Olympic Dam production steady**

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BHP Billiton released its production report for the third quarter ended September 30, 2011, with Olympic Dam uranium production remaining steady at 1,000 t U<sub>3</sub>O<sub>8</sub> (~2.2 million pounds U<sub>3</sub>O<sub>8</sub>), which was just 1% lower than production of 1,010 t U<sub>3</sub>O<sub>8</sub> (~2.2 million pounds U<sub>3</sub>O<sub>8</sub>) for the same period of 2010. For 2011, the Olympic Dam mine has yielded 3,078 t U<sub>3</sub>O<sub>8</sub> (~6.8 million pounds U<sub>3</sub>O<sub>8</sub>).

Sales of uranium totaled 910 t U<sub>3</sub>O<sub>8</sub> (~2.0 million pounds U<sub>3</sub>O<sub>8</sub>) for the recent quarter, which was 21% higher than sales of 751 t U<sub>3</sub>O<sub>8</sub> (~1.7 million pounds U<sub>3</sub>O<sub>8</sub>) for the same period in 2010. For 2011, BHP has sold 2,983 t U<sub>3</sub>O<sub>8</sub> (~6.6 million pounds U<sub>3</sub>O<sub>8</sub>).

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## ***Boss Power settles Blizzard lawsuit with British Columbia***

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On October 19, Boss Power Corp. and the Province of British Columbia negotiated a settlement that pays Boss Power Corp. C\$30 million, plus legal costs, to compensate for the economic value of the Blizzard uranium deposit in the Kamloops-Kelowna region. In exchange, Boss Power has agreed to surrender to the Province of British Columbia all claims to its uranium exploration and mineral rights at the Blizzard deposit.

In 2008, the Province of British Columbia announced that it would not support uranium exploration and development, and prohibited related permits being issued to any company in 2009. At that time, Boss Power Corp. held a pre-existing claim to uranium deposits in that area.

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## ***Ur-Energy receives Permit to Mine Lost Creek ISR project***

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Ur-Energy Inc. announced October 24 that the Wyoming Department of Environmental Quality (WDEQ) issued a permit for its Lost Creek in-situ recovery (ISR) project located in Sweetwater County, Wyoming. The permit authorizes the company to construct and operate the Lost Creek ISR uranium mining facilities, including the mine's first unit.

The company recently received the U.S. Nuclear Regulatory Commission's (NRC) Source and Byproduct Materials License, the EPA's Aquifer Exemption, a WDEQ Class I Underground Injection Control Permit, and local approval of the development plan by Sweetwater County. Approval of the company's Plan of Operations by the U.S. Bureau of Land Management is all the company needs to begin construction at Lost Creek.

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## ***NRC reactivates URI's License to mine Churchrock***

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Uranium Resources Inc. (URI) announced October 18 that the U.S. Nuclear Regulatory Commission (NRC)

reactivated its Source Materials License to conduct in-situ recovery (ISR) uranium mining in McKinley County, New Mexico at the company's Churchrock ISR mine. The license, which was originally issued in 1998 to Hydro Resources Inc., URI's wholly-owned subsidiary, has been in timely renewal status since 2003. The reactivation effectively enables the use of the license by URI for the production of uranium as defined in the license.

URI has proceeded to renew the license for a standard 10-year term. During this renewal process, the active license may be utilized according to its present terms and conditions, which allows for the production of up to 1 million pounds U<sub>3</sub>O<sub>8</sub> per year from Churchrock Section 8 until a commercial demonstration of restoration is accomplished. After this restoration demonstration is deemed successful, URI may then begin to mine other properties and the quantity of production can be increased to 3 million pounds U<sub>3</sub>O<sub>8</sub> per year.

Along with the relicensing process, URI is also focused on completing the feasibility study by the end of 2011 to determine the options available to advance its Churchrock/Crownpoint project. URI currently holds the necessary NRC License, EPA Aquifer Exemption, State of New Mexico Water Rights, and Underground Injection Control Permit to allow development of Churchrock Section 8, which has 6.5 million pounds U<sub>3</sub>O<sub>8</sub> of in-place mineralized uranium material. The feasibility study and its proposed options will determine the best mining method of the company's various projects in New Mexico as well as the size, design, and capabilities of its Churchrock/Crownpoint ISR wellfield and processing facilities. The company said it plans to be in production in 2013.

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## ***Energy Fuels acquires Skidmore lease***

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Energy Fuels Inc. announced October 17 that it purchased a 20-year mining

lease known as the Skidmore Lease in southeastern Utah. The company purchased the lease for US\$1,500,702 from Nuclear Energy Corp. in order to feed its Pinon Ridge uranium and vanadium mill near Naturita, Colorado. The company intends for the Skidmore mine to aid in supplementing future production from its Whirlwind and Energy Queen mines.

The Skidmore Lease currently hosts historic (non-NI 43-101 compliant) uranium resources of 729,000 pounds U<sub>3</sub>O<sub>8</sub>. The property is accessible through historic developed mine workings on the company's Calliham property, which it acquired earlier in 2011. The company has begun engineering studies to assess, rehabilitate, and develop resources from the Skidmore property.

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## ***Federal judge halts DOE uranium leasing program in Colorado***

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On October 18, a federal judge halted the Department of Energy's (DOE) 42-square-mile uranium leasing program that environmental groups claimed threatened the Dolores and San Miguel rivers in southwestern Colorado. Five conservation groups had sued to halt the leasing program, charging that the DOE was failing to adequately protect the environment or analyze the full impacts of renewed uranium mining on public lands. The 53-page ruling invalidates the Department's approval of the program; suspends each of the program's 31 existing leases; enjoins the DOE from issuing any new releases; and enjoins any further exploration, drilling or mining activity at all 43 mines approved under the program pending satisfactory completion of new environmental reviews under the National Environmental Policy Act and Endangered Species Act.

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## ***Bannerman evaluating alternatives to Hanlong offer***

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On October 24, Bannerman Resources Ltd. announced that it would begin to hold discussions with parties other than

Hanlong Mining Group regarding development joint ventures and alternative corporate arrangements. In July 2011, Bannerman announced that it received a highly conditional acquisition proposal from Hanlong. However, during recent negotiations between the companies, the project financier, China Development Bank, stated it requires additional due diligence in order to gain greater certainty regarding the timing and conditions of a mining license before financing commitments can be made to Hanlong. Bannerman said Hanlong has yet to confirm the scope of this work or how long it will take to secure approvals from the China Development Bank and the Chinese government.

As a result of this information, Bannerman formally advised Hanlong that while it remains willing to consider a less conditional proposal from Hanlong, it will now focus on its existing discussions with other parties to bring its Etango project into development.

**Forsys to acquire remaining 30% of Namibplass**

Forsys Metals Corp. announced October 24 that it entered into a purchase agreement with Etherlin Management Corp. pursuant to which the company will acquire from Etherlin its indirect 30% equity interest in the Namibplass uranium project located in Namibia. The company will issue 13 million new common shares in the capital of the company and 2 million common share pur-

chase warrants of the company. Upon completion of the 30% Namibplass acquisition, Forsys will hold a 100% equity interest in Namibplass.

Forsys further announced that it commenced Phase Two of its drilling program at Namibplass with the objective of an updated NI 43-101 compliant Technical Report by the third quarter of 2012. The company plans to complete 40,000 meters of percussion drilling in 200 drill holes. Forsys has approved a budget of C\$2.5 million to complete this drilling by the third quarter 2012.

**Crosshair announces drill results from Bootheel**

Crosshair Exploration & Mining Corp. announced the first set of results from the ongoing drill program at the Bootheel property located within the Shirley Basin in southern Wyoming. The 30,000 foot drill program is focused on upgrading the existing inferred resource to the indicated category and is expected by the end of 2011, which will later be followed by a Preliminary Economic Assessment (PEA) in early 2012. Highlights from ongoing drilling at

Bootheel includes: 3.0 feet grading 0.128% U<sub>3</sub>O<sub>8</sub>, 3.0 feet grading 0.092% U<sub>3</sub>O<sub>8</sub>, 4.5 feet grading 0.089% U<sub>3</sub>O<sub>8</sub>, 4.0 feet grading 0.093% U<sub>3</sub>O<sub>8</sub>, 7.5 feet grading 0.080% U<sub>3</sub>O<sub>8</sub>, and 13.5 feet grading 0.039% U<sub>3</sub>O<sub>8</sub>.

**UrAmerica forms alliance with Cameco for Chubut exploration**

On October 21, UrAmerica Ltd. announced that it en-

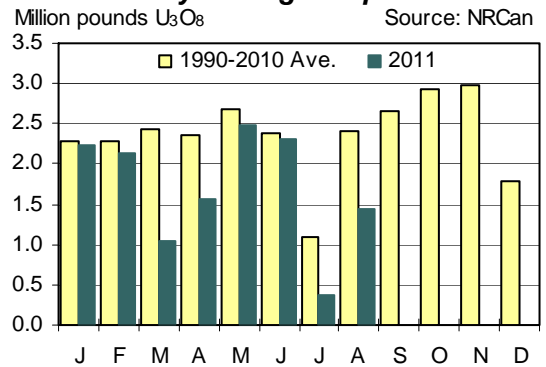
**Canadian Monthly Uranium Shipments**  
(million pounds U<sub>3</sub>O<sub>8</sub>)

	2004	2005	2006	2007	2008	2009	2010	2011
<b>J</b>	3.00	2.97	1.39	1.86	2.05	3.00	2.34	2.24
<b>F</b>	2.41	2.82	1.52	1.21	1.54	2.75	2.08	2.12
<b>M</b>	2.77	2.13	1.57	1.20	1.82	2.07	2.34	1.04
<b>A</b>	2.80	3.20	1.56	2.36	2.09	1.86	2.10	1.57
<b>M</b>	2.58	2.53	2.66	2.82	2.90	1.65	1.89	2.48
<b>J</b>	2.30	2.80	2.41	1.36	2.26	1.81	3.42	2.32
<b>J</b>	0.74	1.78	0.86	2.21	1.01	1.09	1.05	0.36
<b>A</b>	2.61	3.60	3.31	1.76	2.06	1.45	1.55	1.44
<b>S</b>	2.51	3.16	2.42	1.57	0.87	1.85	2.16	
<b>O</b>	3.33	2.12	2.39	2.26	2.80	3.40	3.14	
<b>N</b>	3.34	4.32	3.33	3.27	1.88	2.76	2.13	
<b>D</b>	1.61	1.32	2.02	1.78	1.35	2.66	1.61	
<b>Total</b>	<b>30.02</b>	<b>32.75</b>	<b>25.43</b>	<b>23.66</b>	<b>22.63</b>	<b>26.34</b>	<b>25.81</b>	<b>13.59</b>

Note: Values reported are of mine shipments and do not reflect deliveries to end users.

Source: Natural Resources Canada

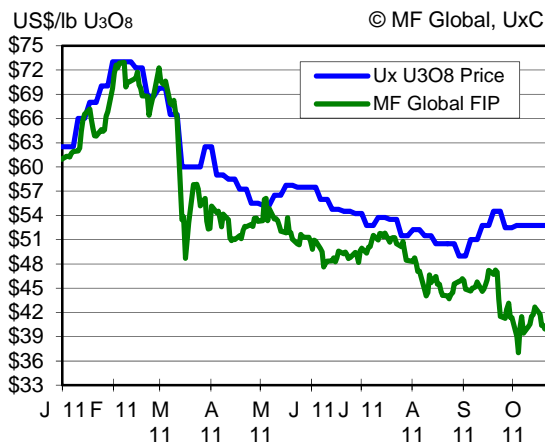
**2011 Canadian Monthly U Shipments vs. Monthly Average Shipments**



tered into a strategic alliance with Cameco Global South America Inc. to explore a non-brokered private placement of US\$10 million, representing 19.9% of UrAmerica's equity. This investment, among other rights, gives Cameco the exclusive right to acquire 70% of each deposit discovered. When a deposit is defined, Cameco will have the opportunity to exercise the right to mine the properties through a newly formed joint venture company.

Pursuant to the Strategic Alliance, a Joint Technical Committee (JTC), comprised of two members from Cameco and two members from UrAmerica, has been created to manage and approve the use of proceeds from Cameco's equity investment in UrAmerica for the exploration programs. The JTC has already approved an initial 12-month drilling program of 30,000 meters focused on 7 drill targets that surround CNEA's Cerro Solo uranium deposit.

**Ux U<sub>3</sub>O<sub>8</sub> Price vs. MF Global FIP**



# The Market

## Uranium Spot Market

Market participants are gathering this week at the fall NEI Uranium Symposium being held in Scottsdale, Arizona. Some of the participants are also coming off the 2<sup>nd</sup> annual nuclear meeting held in Hong Kong and sponsored by the CNEA and WNA. Whether for this reason or others, spot activity was relatively quiet this past week, with only three reported transactions. Also, price fell during the week due to lower demand interest. This trend continued into today (Monday). Based on recent activity, the Ux U<sub>3</sub>O<sub>8</sub> Price is \$51.75 per pound, down \$1.00 for the week.

The market today can be seen as interplay between fundamental and financial developments. There is limited interest on the part of utilities for spot purchases given that unfilled near-term requirements are relatively low. However, there is more interest in midterm deliveries, which are related to today's spot prices with carrying costs. Financial players have been buying on a spot basis to deliver into these contracts, but producers as well as traders who have off-take arrangements have been target-

ing this market as well. To the extent that this latter group is successful, and recent information suggests that this is the case, spot demand on the part of the financial players has fallen off, and with it, demand in the spot market. Spot price consequently is falling, and indeed has to fall to make financial players more competitive in the mid-term market. Any increase in interest rates exacerbates this decline since these spot purchases must be financed for delivery in the mid-term period.

As long as there is sufficient uncommitted production versus unfilled requirements in the mid-term, this dynamic can be expected to continue to play out. While it may seem counterintuitive, in this environment rising interest rates would contribute to lower spot prices, as financial players would need lower spot prices to compete effectively for mid-term deals, and it has been this motivation to supply mid-term demand that has been a major factor in shaping spot demand in the post-Fukushima market.

### UxC Broker Average Price

The UxC Broker Average Price (BAP) realized a week of modest downward slides in terms of the indicator's movement, as it began the week on Tuesday

Ux Price Indicators (€Equiv**)			
<b>Weekly (10/24/11)</b> 1 US\$ = .71726€			
<b>Ux U<sub>3</sub>O<sub>8</sub> Price</b>	<b>\$51.75</b>	<b>€37.12</b>	
<b>Mth-end (9/26/11)</b> 1 US\$ = .74314€			
<b>U<sub>3</sub>O<sub>8</sub></b>	Spot	<b>\$52.50</b>	€39.01
	Long-Term	<b>\$64.00</b>	€47.56
<b>Conversion</b>	NA Spot	<b>\$9.50</b>	€7.06
	NA Term	<b>\$16.25</b>	€12.08
	EU Spot	<b>\$9.50</b>	€7.06
<b>EU Term</b>		<b>\$16.75</b>	€12.45
	NA Price	<b>\$146.00</b>	€108.50
<b>U<sub>6</sub> Spot</b>	NA Value*	<b>\$146.67</b>	€108.99
	EU Value*	<b>\$146.67</b>	€108.99
<b>SWU</b>	Spot	<b>\$145.00</b>	€107.76
	Long-Term	<b>\$150.00</b>	€111.47
<b>EUP</b>	NA Spot**	<b>\$2,402</b>	€1,785
	NA Term**	<b>\$2,809</b>	€2,087

at \$52.69, down \$0.25 on the day. The week's largest decline occurred on Thursday as the BAP finished the day at \$51.94, down \$0.56 on the day. The midpoint remained unchanged through Friday at \$51.94. Today's UxC BAP is \$51.81, down \$0.13 on the day and down \$1.13 from last Monday's \$52.94. The BA Bid is showing \$51.50, down \$1.13 from last Monday's \$52.63 and the BA Offer is \$52.13, down \$1.12 from last Monday's \$53.25.

### Fund Implied Price (FIP)

Fund Implied Prices (FIP) for the week

UxC Market Statistics				
Monthly (Oct)	Spot		Term	
	Volume	# Deals	Volume	# Deals
<b>U<sub>3</sub>O<sub>8</sub>e</b> (million lbs)	1.3	10	0	0
<b>Conv.</b> (thousand kgU)	W	2	0	0
<b>SWU</b> (thousand SWU)	0	0	0	0
2011 Y-T-D	Spot		Term	
	Volume	# Deals	Volume	# Deals
<b>U<sub>3</sub>O<sub>8</sub>e</b> (million lbs)	41.4	287	>94.9	20
<b>Conv.</b> (thousand kgU)	>5,500	66	>4,000	10
<b>SWU</b> (thousand SWU)	W	6	W	4

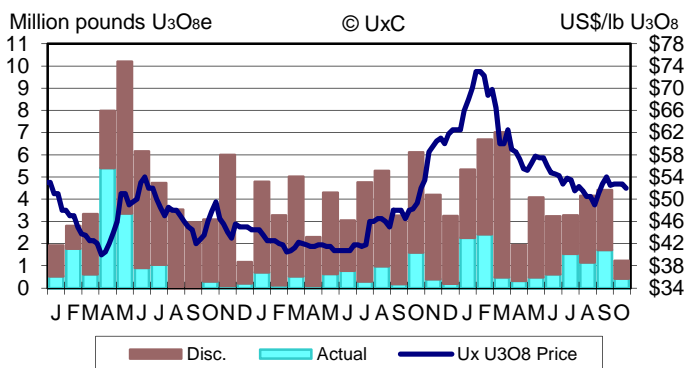
Key: N/A – Not available. W – Withheld due to client confidentiality.

### UxC Leading Price Indicators

Three-month forward looking price indicators, with publication delayed one month. Readings as of Sep 2011.

<b>Uranium</b> (Range: -17 to +17)	<b>-6</b> [unchanged]
<b>Conversion</b> (Range: -16 to +16)	<b>-2</b> [down 1 point]
<b>Enrichment</b> (Range: -18 to +18)	<b>-3</b> [down 1 point]
<b>Platts Forward Uranium Indicator</b>	<b>\$50.50-53.50</b>
A forward one-week outlook.	As of 10/21/11 (US\$/lb)

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



### Golf Partners

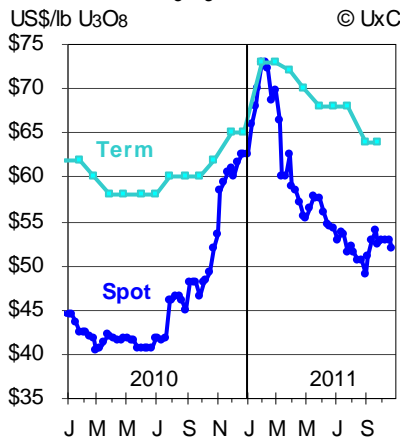
A fellow comes home after his regular Saturday golf game and his wife asks why he doesn't include Tom O'Brien in the games anymore. The husband asks, "Would you want to play with a guy who regularly cheats, swears up a storm over everything, lies about his score, and has nothing good to say about anyone else on the course?"

"Of course I wouldn't," replies the wife.

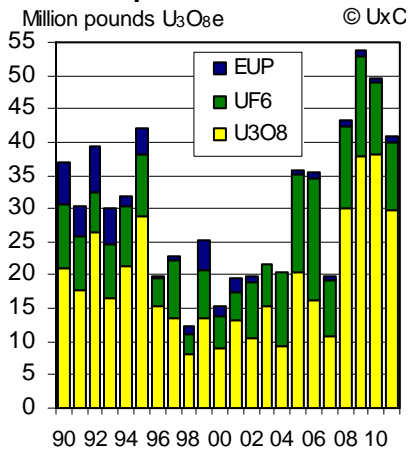
"Well," says the husband, "Neither would Tom O'Brien."



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



## Annual Spot Uranium Volumes



were relatively flat with a downward trend as the FIP began the week on Tuesday down \$1.41 at \$40.39. By Thursday, the MF Global FIP was showing \$39.94, down \$0.45 on the day. Into Friday, the FIP only increased by one cent to finish the week at \$39.95. Today's FIP increases to \$40.06, up \$0.11 on the day, but down \$1.74 from last Monday's \$41.80.

## 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.

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

The CME Group futures market booked 200 contracts (50,000 pounds U<sub>3</sub>O<sub>8</sub>) last week. On Monday, 100 contracts were booked for December 2012. This activity was followed later in the week with two separate 50-contract lots booked for the December 2013 and November 2012. All the week's contracting was conducted in over the counter trades, and thus prices were not reported. Prices for the week trended downward as the strip realized three instances of strip-wide price reductions. With the week's increase in 200 contracts (50,000 pounds U<sub>3</sub>O<sub>8</sub>), the October 2011 monthly total increases to 902 contracts (225,500 pounds U<sub>3</sub>O<sub>8</sub>) and the 2011 annum contracting total increases to 22,179 contracts (5,544,750 pounds U<sub>3</sub>O<sub>8</sub>). Open interest declined by 100 contracts during the week due to the official closing of the September futures month. Total open interest now stands at 6,732 (1,683,000 pounds U<sub>3</sub>O<sub>8</sub>).

## Uranium Term Market

As a small group convenes at the fall NEI symposium, no new term demand or contract awards are reported for the week. As discussed above, some utilities continue to pursue more private discussions looking at mid-term coverage. A non-U.S. utility is evaluating offers for up to half of its needs with delivery through 2028. Another non-

U.S. utility is evaluating offers for about one million pounds U<sub>3</sub>O<sub>8</sub> per year for ten years starting in 2014. A third non-U.S. utility is evaluating offers based on its RFP for delivery starting in 2012 and options through 2032 for both feed and enriched uranium product (EUP). A fourth non-U.S. utility is looking for much smaller quantities of UF<sub>6</sub> over a three-year period. Mid-term and some other activity also continues, although mostly through more informal discussions.

## Conversion & Enrichment

While some UF<sub>6</sub> spot activity has been reported, the conversion and enrichment markets remain fairly quiet with no new demand or transactions. A non-U.S. utility is seeking close to one million kgU of conversion services per year for 2013-2018. Another non-U.S. utility is evaluating offers for up to 50% of its needs for both conversion and enrichment. A third non-U.S. utility is evaluating offers for UF<sub>6</sub> with delivery over three years. A U.S. utility is evaluating offers for 1,000 MTU of conversion supplies per year with delivery in 2016-2020. Another U.S. utility is evaluating offers for conversion with delivery in 2014-2018. A non-U.S. utility is evaluating offers that include feed and EUP options. Another non-U.S. utility is evaluating term offers for over 800,000 kgU of conversion services with delivery starting in 2014. Another utility is awaiting offers for up to 2.3 million kgU as conversion services.

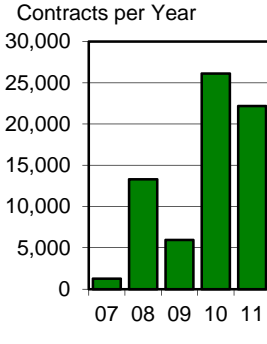
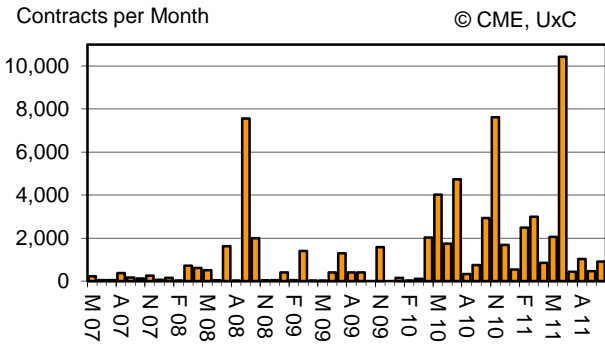
The Platts Forward Uranium Indicator price range belongs to Platts, a McGraw Hill Company, and is published with permission. Definitions of these prices are available from their original source.

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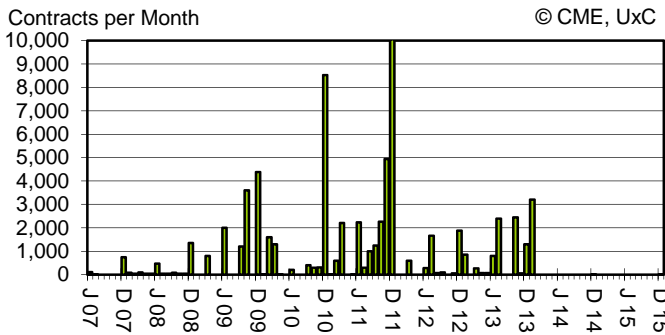
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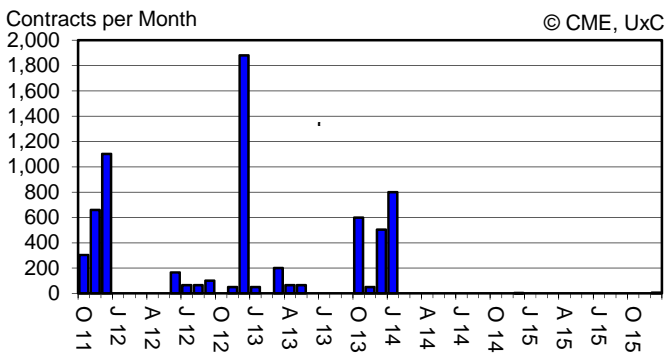
### NYMEX Ux Futures Activity Total Contracts by Transaction Month, by Transaction Year



### Total Contracts by Settlement Month



### Open Interest by Settlement Month

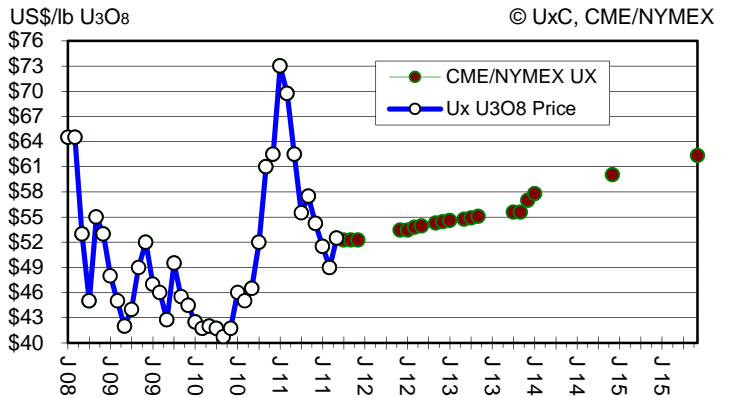


### CME UxC Uranium U<sub>3</sub>O<sub>8</sub> (UX) Futures

Activity as of Oct 21, 2011

Settlement	Price	Volume	Open
Jun 2011	\$54.25	2,236	N/A
Jul 2011	\$51.50	303	N/A
Aug 2011	\$49.00	1,000	N/A
Sep 2011	\$52.50	1,241	N/A
Oct 2011	\$52.25	2,254	304
Nov 2011	\$52.25	4,936	660
Dec 2011	\$52.25	10,054	1,102
Mar 2012	N/A	600	0
Jun 2012	\$53.45	288	165
Jul 2012	\$53.45	1,665	65
Aug 2012	\$53.80	65	65
Sep 2012	\$53.95	101	101
Nov 2011	\$54.30	50	50
Dec 2012	\$54.45	1,885	1,880
Jan 2013	\$54.60	850	50
Mar 2013	\$54.75	265	200
Apr 2013	\$54.90	65	65
May 2013	\$55.10	65	65
Jun 2013	N/A	800	0
Jul 2013	N/A	2,400	0
Oct 2013	\$55.60	2,450	600
Nov 2013	\$55.60	50	50
Dec 2013	\$57.00	1,306	503
Jan 2014	\$57.80	3,200	800
Dec 2014	\$60.05	2	1
Dec 2015	\$62.35	8	6
*From May 2007		<b>Totals:</b>	<b>68,807*</b>
			<b>6,732</b>

### Ux U<sub>3</sub>O<sub>8</sub> Price vs. CME/NYMEX Forward UX Price Curve



### 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 Evolution Markets and MF Global (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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