

The

Several producer newcomers eye uranium market

U X

W E E K L Y

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The Uranium Exchange
Company*

A handful of companies are investigating uranium reserves with the intent of making the requisite investments to bring these properties into production at some future point. As news of these companies and their activities occasionally hits the press, skeptics have been saying the small window of opportunity for considering entering uranium production opened and closed last year following the up and down movement of uranium prices. But the newcomers seem largely unfazed by the downturn in prices. Most believe they have tapped into good reserves with the potential to supply low-cost material to a future market where such supplies will be needed. One said he is not worried about the current price slide because "there's no volume behind it," while another feels the decline is "temporary."

Most of these companies are looking at equity markets to finance exploration and development. While they may believe the price drop is temporary, until it rebounds investment interest could wane. The recent Bre-X Busang debacle could also give investors pause in mining startups.

Anglo Minerals Ltd. earlier this year announced that it had purchased an option to earn 60% of the Riou Lake Property from Seagrove Capital Corp. based in Saskatchewan. Geochemical surveys have indicated uranium is present at the site, which Anglo said had been explored previously by Uranerz.

Aspen Exploration of Denver is exploring in the Powder River Basin in an area the company believes could host several million lbs of reserves.

JNR Resources Inc. headquartered in Vancouver, B.C. is acquiring properties that have proximity to known deposits. To date the company has purchased about 500,000 acres in the Athabasca Basin and a 50% interest in two uranium properties in the Hornby Bay Basin in the Northwest Territories, Pec and Boulder Train. Analysis available for the Pec deposit shows it has an estimated 3,150 tonnes U₃O₈ at grades ranging up to 1.27%. The company is also offering a finder's fee of 50,000 shares to individuals for information supplied with respect to the acquisition of uranium properties.

New Mexico and Arizona Land Co. owns two deposits through its wholly owned subsidiary, NZU. The Hansen orebody is part of the Colorado Plateau and was purchased in late 1996; the

other is Crown Mesa in New Mexico. NZU is hoping to begin core sampling and testing at Crown Mesa later this year, and has relied on data that came with the Hansen property to estimate it has over 25 million lbs of proven resources. Even if the company decided to move into production today, neither property would be ready before 2000, according to company president J.D. Sphar.

Australian company **Paladin Resources NL** announced recently that it has applied for exploration licenses covering property east of Kalgoorlie that it is considering for in situ production. The property has resources of an estimated 1,300 t at an average grade of 0.12%.

Petro Plus Inc. based in LaRonge, Saskatchewan announced two weeks ago that it has staked 10 claims in the Athabasca Basin between Key Lake and Cigar Lake. Formerly in the petroleum industry, a management change three years ago shifted the emphasis to gold, gas, oil and diamond exploration. The interest in uranium was fueled by last year's price spike and the fact that the company was already operating in proximity to major U₃O₈ deposits.

Southern Cross Inc. announced earlier this year that it had signed an agreement with Sedimentary Resources NL through which it will finance the purchase and development of three in situ projects in South Australia—Honeymoon, Goulds Dam and Yarramba. Production trials at Honeymoon are expected to begin this year. The three projects together have identified resources of 6,888 t U₃O₈ at an average grade of 0.15%.

Strathmore Resources Ltd. based in Kelowna, B.C. owns the Apex deposit in Nevada and recently agreed to purchase the Rio Puerco mine, an underground mine that Kerr-McGee formerly owned. The two properties together have proven reserves of over 6 million lbs. Strathmore is negotiating to purchase an additional 4 million lbs of reserves and said that a production decision is expected within six months after a review of reserves and mining methods is completed.

World Wide Minerals Ltd. moved off the sidelines with its recent announcement of the first sale of Kazakh-origin uranium to a U.S. utility. World Wide is processing stockpiled ore at its mill at Stepnogorsk and plans to bring two underground mines back into operation later this year.

Ux U₃O₈
\$12.70
(-0.30)

CIS U₃O₈
\$12.00
(Unch.)

NEWS BRIEFS

TEPCO buys shares in Cigar Lake—Saying it wants to secure a long-term source of uranium at reasonable prices, Tokyo Electric Power Co. (TEPCO) last week announced that it has purchased a 5% share of Cigar Lake from Idemitsu Kosan Co., making it the fifth partner in the project. The purchase is currently an agreement in principle, with TEPCO actually taking ownership of the shares in July of this year.

Cigar Lake, which has estimated reserves of 353.3 million lbs U₃O₈ at a grade of 13.6%, is expected to come on line in late 1999 to early 2000 and produce 18 million lbs per year when at full capacity. TEPCO's annual requirements are 4,000-4,500 t U₃O₈.

URI completes purchase of mineral rights—Uranium Resources, Inc. (URI) said last week that it had completed the purchase of certain mineral interests from Santa Fe Pacific Gold Corp. covering slightly over 500,000 acres in northwest New Mexico. In exchange for the rights, URI provided 1.2 million shares of common stock and a commitment for certain exploration expenditures. The property is located on the San Juan Basin trend, of which URI now controls over 15% with this acquisition.

URI estimates there is about 9.6 million pounds of recoverable uranium on the 37,000 acres of which it acquired the entire mineral estate. A fee interest in uranium was acquired on approximately 140,000 acres while an exclusive right to explore for uranium for 17 years was acquired on another 346,000 acres.

Commerce issues \$15.34 price—The Department of Commerce on April 1 released its latest 6-month price calculation as required by the Kazakh and Uzbek suspension agreements. The price, \$15.34 per pound, is the basis on which quotas are set for exports from the two republics. Commerce based the calculation on an average

DOC Spot, Long-Term and Composite Price Determinations				
Date	Composite Price	Long-Term Price	Spot Price	Difference
4/1/93	\$11.72	\$12.40	\$10.14	\$2.26
10/1/93	\$11.12	\$11.54	\$10.12	\$1.42
4/1/94	\$11.37	\$12.04	\$9.91	\$2.13
10/1/94	\$11.13	\$11.95	\$9.33	\$2.62
4/1/95	\$12.06	\$13.19	\$9.57	\$3.26
10/1/95	\$12.25	\$12.54	\$11.60	\$0.94
4/1/96	\$12.25	\$11.67	\$12.46	(\$0.79)
10/1/96	\$15.78	\$14.38	\$16.28	(\$1.90)
4/1/97	\$15.34	\$16.38	\$14.97	\$1.41

— Industry Calendar —

- **April 6-9**—NEI's *FUEL CYCLE '97* is being held in Atlanta, Georgia.
- **June 1-3**—The WNFMS will be held in Saskatoon, Saskatchewan.
- **June 9-11**—British Nuclear Energy Society/INuCE TOPFUEL '97 international topical meeting, Manchester, England.
- **September 3-5**—The Uranium Institute's 22nd Annual Symposium will be held in London, England.
- **September 28-Oct. 1**—NEI's International Uranium Fuel Seminar '97 in Monterey, California.
- **November 2-5**—ELECTROFUEL '97: "A Conference on Southern African Uranium & Fossil Fuels" will be held in Sun City, South Africa.

Change in Cigar Lake Project Ownership

Company	Current Stake	July '97 Stake
Cameco Corporation	48.75%	48.75%
COGEMA Resources, Inc.	36.375%	36.375%
Idemitsu Kosan Co.	12.875%	7.875%
Tokyo Electric Power Co.	None	5.0%
Korean Electric Power Co.	2.0%	2.0%

spot market price of \$14.97, weighted at 73.74%, and an average long-term contract price of \$16.38, weighted at 26.26%. Under its amended suspension agreement, Kazakhstan can export 700,000 lbs to the U.S. for the six-month period April 1-Sept. 30, 1997. The Uzbeks continue to have access to its Appendix A quota of 940,000 lbs during the period Oct. 13, 1996-Oct. 12, 1997 since the calculated price is at or above \$12/lb.

The next determination is due out October 1. Pricing information to be used for that determination needs to be submitted to Commerce in early September.

Pleiades group gets closer look—Ever since its name surfaced as a prospective buyer for USEC and its president's connections with Russian Minister of Atomic Energy Viktor Mikhailov were known, questions have been raised about the Pleiades Group's background and financing. Mikhailov has been persistently supporting the involvement of Pleiades in the Russian HEU deal and, according to an article in the April 3 *Wall Street Journal*, as recently as last month wrote a letter to the U.S. State Department reiterating that desire.

NEWS BRIEFS cont...

The *Journal* article reports that the Clinton administration has told Mikhailov that Pleiades' desire to purchase USEC could raise antitrust concerns given the group's ties with Russia and the dominant position it would have in the enrichment market if both Russian and U.S. SWU came under its control. In addition, Charles Curtis, deputy energy secretary, is quoted as saying that a more thorough understanding of who Pleiades is and what its connections are would also be required if it makes a bid to purchase USEC. Such an investigation would be initiated apparently despite the ties the group has made with former high-ranking officials in the U.S. government. This includes its chairman, Robert Mosbacher, formerly Secretary of Commerce under the Bush administration, who obtained that position late last year.

For its part, Pleiades seems dismissive of the government's position. Mosbacher said he has not received any communication from the State Department about potential antitrust concerns and blames "foreign competitors" as working to discredit the group. Also associated with the group is former Secretary of State James Baker, who is acting as an adviser, according to the article. In an ironic tie to current events, Pleiades' president, Alexander Shustorovich, attended one of the infamous White House coffee sessions accompanying a Pleiades associate who later donated \$10,000 to the Democratic National Committee.

March Spot Statistics		
	March	1997
U₃O₈e Volume (million lbs)	0.9	2.1
# Transactions	4	9
Avg. Quantity	0.2	0.2
Avg. Leadtime (months)	7.3	4.4
U ₃ O ₈	0.6	1.3
UF ₆	0.2	0.3
EUP	0.1	0.5
U.S. Buyers	0.4	0.5
Non-U.S. Buyers	0.5	1.6
Non-CIS Origin	0.4	0.9
CIS Origin	0.5	1.2
Actual Demand Purchases	0.9	1.5
Discretionary Purchases	-0-	0.6
1997 Delivery	0.5	1.7
1998 Delivery	0.4	0.4
SWU Volume (000 SWU)	43	263
Conversion Vol. (000 kgU in UF ₆)	87	578

Ux Month-End Spot U₃O₈ Prices, Volume, Leadtime and Number of Transactions

Month	Ux Price		Volume	Average	# of Trans
	U ₃ O ₈	CIS	(mill lbs U ₃ O ₈ e)	Leadtime Months	
Apr '96	\$16.15	\$14.00	2.3	2.6	7
May	\$16.50	\$14.50	3.9	5.1	10
Jun	\$16.60	\$14.75	0.4	3.0	3
Jul	\$16.50	\$15.25	0.3	5.0	2
Aug	\$16.40	\$15.50	2.3	2.3	9
Sep	\$15.90	\$15.25	0.7	11.2	5
Oct	\$15.50	\$15.00	0.8	2.8	4
Nov	\$15.00	\$14.50	1.3	3.3	4
Dec	\$14.70	\$13.90	1.7	9.5	6
Jan '97	\$14.25	\$12.90	0.4	2.0	2
Feb	\$13.75	\$12.50	0.8	4.0	3
Mar	\$13.00	\$12.00	0.9	7.3	4

Ux Price Definitions

The Ux Prices indicate, subject to the terms listed, the most competitive spot offers available for the respective product or service, of which Ux is aware. The Ux U₃O₈ price includes conditions for quantity, delivery timeframe, origin and location considerations while the Ux CIS U₃O₈ price is the most competitive price for deliveries up to six months forward without regard to specific quantity or location. Both U₃O₈ prices are published weekly. The Ux Conversion price considers spot offers for delivery up to twelve months forward. The Ux UF₆ price represents the sum of the conversion and U₃O₈ components as discussed above and, therefore, does not necessarily represent the most competitive UF₆ offers available. The Ux SWU price considers spot offers for deliveries up to twelve months forward. The Conversion, UF₆ and SWU prices are published once a month on the last Monday of each month.

The Ux Prices represent neither an offer to sell nor a bid to buy the products or services listed.

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NEWS BRIEFS cont...

Since its inception, associations with Pleiades have changed. One relatively recent change was the resignation of Max Kampleman, chief arms control negotiator in the Reagan administration. Kampleman told the *Journal* he had concerns with Pleiades' ties to Russia and felt his name had been misused. On the other side, the Oil, Chemical & Atomic Workers union has joined Pleiades, apparently having been told that the group would make sure that USEC's two enrichment plants would remain in operation.

One point that the *Journal* article did not bring up relates to the Nuclear Regulatory Commission's (NRC's) role in certifying USEC's gaseous diffusion plants and that NRC will not certify these plants or issue a license to AVLIS if it finds that USEC is owned or controlled by a foreign corporation. Thus, Pleiades' ties with Russia could raise more than just antitrust concerns with respect to a potential purchase of USEC.

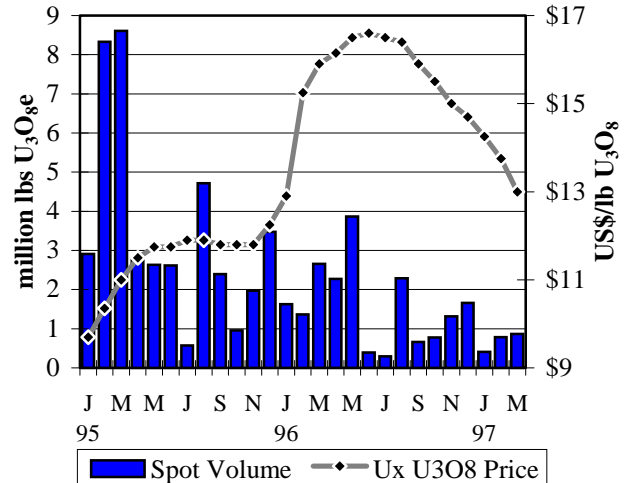
PECO announces new fuel management unit—PECO Energy Company released Monday the news that it has formed the Exelon Corporation for the purpose of providing management services in the areas of fuel, energy infrastructure, and utility plant management. PECO says that the new business unit will market these services to power producers and others.—*AP-Dow Jones News Service, April 7.*

Further delays in Temelin startup—Problems with merging western and Russian cabling systems to meet western safety standards is the latest reason behind the Czech government's announcement that the startup of the first of the two Temelin reactors will again be delayed. The startup was originally scheduled for November 1996 but earlier delays had extended that to the end of 1998. Just last week, the government said it now expects that unit will be connected to the grid by the end of 1999 with unit 2 to follow about 18 months later. The delay is expected to increase the project's cost by about 10% to roughly \$2.3 billion.

Uranium Industry Company Share Prices			
Company	4/7/97 Close**	Volume	12/23/96
Cameco	C\$51.350 (-0.150)	161,100	C\$54.80
Denison*	C\$0.390 (Unch.)	550,700	C\$0.29
NM&AL	US\$14.125 (+0.625)	2,100	US\$11.65
Rio Algom	C\$33.000 (-0.100)	218,800	C\$30.20
URI	US\$6.062 (-0.250)	37,100	US\$8.00
U.S. Energy	US\$10.125 (-0.375)	12,300	US\$10.50

*Common shares. ** (Change from previous trading day's close.)

Ux Month-end U₃O₈ Price vs. Spot Volume



EU will not review Tenex, RSB venture—Saying it does not fall under the scope of its merger regulations, the European Commission has decided against investigating a proposed joint venture involving Russia's Tenex and the German firm RSB Logistik Projektspedition GmbH. RSB is controlled by RWE. RSB and Tenex will jointly control Fuel Logistic GmbH under the venture. Fuel Logistic provides transport for various nuclear materials.

In making its decision, the commission said it does not consider the joint venture a "full function" one meaning it lacks the necessary assets, such as special transportation equipment, specialized staff or expertise. Also, the venture's services will be provided primarily to parent company Tenex.

U.S. nuclear performance remains high in 1996—The Institute of Nuclear Power Operations (INPO) has released its 1996 statistics on the operations of U.S. nuclear units. According to the group, U.S. reactors continued operating at the record-setting safety levels reached in 1995 and retained the same reliability in electricity production. Shown below are some of the INPO statistics released by Nuclear Energy Institute.

INPO U.S. Nuclear Power Plant Performance		
Performance Category	1996 Actual	2000 Goal
Unit Capacity Factor	82.5%	87%
Unplanned Auto Shutdowns (scrams per unit)	0.8	1.0
Industry Safety (accidents per 200,000 hours)	0.46	0.40
Low-Level Solid Radioactive Waste		
Pressurized Water Reactors (PWR)	36 m³	45 m ³
Boiling Water Reactors (BWR)	104 m³	125 m ³

Bold values indicate performance numbers exceeding year 2000 goals.

THE MARKET

Uranium—Spot volume for March was 900,000 pounds U₃O₈ equivalent, up slightly from the 800,000 lbs in February. There were four transactions, and two-thirds of the quantity was transacted in the form of U₃O₈. Volume was almost evenly split between restricted and CIS-origin, and U.S. and non-U.S. buyers as well. All purchases were for actual delivery, with about half of the volume set for 1997 delivery and the other half for 1998 delivery. The average leadtime increased to 7.3 months from the 4.4 months in February.

Spot prices continued their decline during March. The Ux Spot U₃O₈ Price for the restricted market fell \$0.75 to \$13.00, exceeding the \$0.50 decline during February. TradeTech's NUExCO Exchange Value for the restricted market dropped \$0.65, also to \$13.00, after falling \$0.60 in February. The midpoint of the NUKEM restricted market price range declined \$0.50 to \$13.50, similar to the \$0.48 drop in February. NuclearFuel's price range declined by \$0.10 during the month to \$13.35, following a \$0.60 drop in February. The Industry Average Price (IAP) for all of these indicators stood at \$13.21 at the end of the month, a decline of \$0.52.

Prices in the unrestricted market fell as well. The Ux CIS price dropped \$0.50 to \$12.00, TradeTech declined \$0.25 to \$12.25, the NUKEM midpoint was down \$0.58 to \$12.40, and the NuclearFuel midpoint fell by \$0.50 to \$12.10. As a result, the month-end IAP for the unre-

stricted market was \$12.19, down \$0.50 for the month.

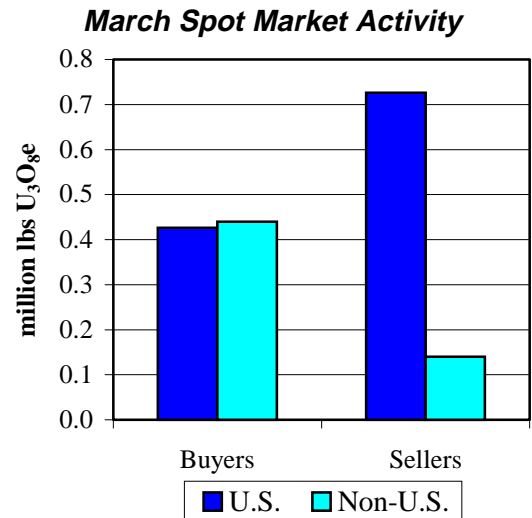
The price decline continues with several suppliers said to be aggressively competing to sell material to the U.S. utility that received offers last week. Buyers remain scarce, with those needing material for delivery later this year or next preferring to wait and see how prices develop.

Conversion—Ux and TradeTech kept their spot conversion prices unchanged for March. However, NUKEM reduced both the upper and lower limits of its spot conversion range, with the midpoint falling by \$0.15 to \$5.98. As a result, the IAP for conversion has now fallen below \$6.00, to \$5.97 as well.

Enrichment—Spot enrichment prices also weakened during March. Ux again dropped its restricted and unrestricted SWU prices by \$1 each, to \$92 and \$90, respectively. TradeTech and NUKEM each kept their SWU prices firm in February, but both dropped their restricted prices in March. TradeTech's restricted SWU price ended the month at \$92, while NUKEM dropped theirs to \$94. The IAP now stands at \$92.67 for the restricted market, and \$90.33 for the unrestricted market.

Ux Spot Prices	
Weekly (4/7/97)	
U₃O₈	\$12.70
Quantities:	3-400,000
Delivery:	4 months
Origin/Location:	Open/U.S. convertor
	Non-CIS/All others
	Matched/Any location
CIS U₃O₈	\$12.00

Industry Spot Prices							
	NuclearFuel		NUKEM		TRADE	Ux	Avg.
	Low	High	Low	High	TECH		
Weekly (4/7/97)							
U ₃ O ₈ (\$/lb)	(4/7)				(4/4)		
Restricted	12.10	12.70	—	—	12.80	12.70	12.63
Non-restr.	11.40	11.90	—	—	12.25	12.00	11.97
Month-end (3/31/97)							
U ₃ O ₈ (\$/lb)	(3/24)						
Restricted	13.20	13.50	13.25	13.75	13.00	13.00	13.21
Non-restr.	11.90	12.30	12.30	12.50	12.25	12.00	12.19
Conversion (\$/kgU)	—	—	5.70	6.25	6.10	5.85	5.97
UF₆ (\$/kgU)							
Restricted	—	—	—	—	40.10	39.81	39.95
Non-restr.	—	—	—	—	38.10	37.20	37.65
SWU (\$)							
Restricted	—	—	—	94.00	92.00	92.00	92.67
Non-restr.	—	—	91.00	—	90.00	90.00	90.33
<i>Note: Definitions of these prices vary among companies. They are listed strictly for comparison purposes and are in U.S. dollars. Nukem's SWU price shows limits on its price range.</i>							



1st Golfer: "I have the greatest golf ball in the world. You can't lose it."

2nd Golfer: "How so?"

1st Golfer: "If you hit it into the sand, it beeps. You hit it into the water, it floats. If you want to play golf at night, it glows."

2nd Golfer: "Hey, sounds great. Where did you get it?"

1st Golfer: "Found it in the woods." —Byron Smialek