



Price Reporting FAQ

UxC, LLC and its predecessor The Uranium Exchange Company (Ux) have been in the nuclear fuel price reporting business since 1987. Not only do we have the longest-active weekly spot uranium price indicator in the industry, but we have also led the way in many innovations and enhancements over the past three decades in terms of methodologies used to determine prices and processes by which price data is collected and conveyed to the nuclear fuel industry. Given the industry's heavy reliance on UxC price information throughout the world, we fully understand why this aspect of our business receives significant attention from market participants. And as such, UxC spends considerable internal resources reviewing market changes in order to ensure that its methodologies and procedures on reporting price indicators accurately represent the market. For subscribers to our Ux Weekly, our doors are always open to respond to questions regarding our price reporting activities. However, since we regularly receive queries on this topic, we are using the following pages in this cover story to respond to some of the most frequently asked questions (FAQ) to provide additional clarifications about our price reporting.

Question: What are UxC's overall objectives when it comes to price reporting?

Answer: UxC views its role as a price reporter solely as an independent, unbiased arbiter with the objective of identifying where prices for uranium and other nuclear fuel components reside for various delivery timings at the time of publication. When we say "unbiased," we mean that UxC takes no position as to the current levels and future direction of price movements. We aim to gather as much available price information as possible from across the entire market spectrum to arrive at a fully informed conclusion that accurately reflects current prices. The ultimate objective is to report without prejudice a single price for each specific fuel component as they actually exist in the current market.

Question: Why does UxC focus on offer prices when determining its price indicators?

Answer: UxC's price determination methodology continues to rely primarily on offer prices, but we have expanded this definition to consider bid prices as well. The original price reporting methodology was developed by Ux in 1987, during a time when the standard practice for fuel procurement followed the public request for quotation (RFQ) process. The process resulted in numerous suppliers making offers to each buyer based on its request. Over the years, as formal RFQs have become less common, the practice of sellers making unsolicited offers to buyers has increased. Over the past decade, bids have slowly become more commonplace, but primarily only in the spot uranium market.

The reason why UxC continues to rely mainly on "the lowest offer price of which we are aware" in determining published prices can be traced to the basic economic concept that a transaction (i.e., purchase and sale) will rationally conclude at a price where a willing buyer and willing seller will meet in the market. A rational buyer will naturally gravitate towards the lowest offer, all other things being equal. We should clarify that we certainly include concluded transactions in our data collection, since a transaction incorporates an offer price. Moreover, since bids have become more prevalent in the industry over the past decade, we also consider bid levels when determining our prices, especially since there are times when a bid is "hit," and this necessarily equates to an offer. It should also be noted that there are often times when no transactions occur, but offers are still available. Lastly, if a transaction occurs at a price, but that offer is no longer available to other buyers, then we seek out the next lowest offer.

Question: How does UxC define and determine spot, mid-term, and long-term prices differently?

Answer: UxC defines a spot transaction as delivery within twelve (12) months. However, for spot uranium, there tends to be a forward curve with prices shifting over a 12-month period. Therefore, the Ux U₃O₈ Price® is defined as delivery of at least 100,000 pounds at a western converter (i.e., Cameco, ConverDyn, or Orano) within the next three (3) months. A delivery window of 12 months applies for spot UF₆, conversion, and enrichment prices.

UxC does not publish any so-called "mid-term prices" as we view this as a nebulous term without clear definition. Instead, UxC publishes a 3- and 5-year forward price for uranium. This is defined as the fixed price settled today for delivery of at least 100,000 pounds at a western converter with delivery either 36 or 60 months in the future.

UxC's long-term (LT) price indicators generally are indicative of the base price settled today (with standard escalation) for delivery of significant volumes of either uranium, conversion, or enrichment beginning at least three years from today and over a duration of at least five years. As LT contracts tend to be much less standard than for spot transactions, UxC's LT indicators are, by

definition, less standardized. An important factor to note is that when publishing an LT price, our intent is to capture prices from contract offers that were more production-based than inventory-based. UxC's introduction of the LT uranium price indicator in 2004 was notable since it came at a time when we saw a definite need for higher prices to incent future production that was clearly lacking to cover expected growing demand. Thus, the LT indicator was created to provide the market with additional price information, particularly with respect to forward supplies from production. Our intent when creating the LT price, however, was not to create another price that would be used as a price reference in a long-term contract.

Question: Does UxC approach reporting prices for uranium differently than other nuclear fuel components?

Answer: The short answer is "no." Whether we are reporting a price for spot U_3O_8 , LT SWU, or any other component, the methodology is the same. The major differences lie in the variations among the fuel component sectors. Spot uranium is clearly the most liquid market, followed perhaps by spot UF_6 , and thus price information tends to be more readily available for spot uranium compared to some of the other market sectors. However, the approaches used in determining each of our price indicators are the same.

Question: How does UxC deal with price variations depending on delivery location?

Answer: Given the small size of the nuclear fuel market, there is no single delivery location that has enough liquidity to define a standardized price, such as Brent Crude for oil or the Henry Hub for natural gas. The three western converters are used for uranium as these tend to be where most open market transactions occur. Over the years, there have been observed premiums and discounts for one or more of these three locations. In these situations, UxC focuses its price data collection and reporting on the most active location(s). For example, if a discount for delivery at one location exists, but 80% of the activity is seen at the other two locations, then the UxC price determination is reflective of the non-discounted locations. It should also be noted that UxC never averages any price data points, including differing prices among locations. In the end, UxC's price indicators are intended to reflect the current market, which is why we focus on those locations that are seeing the most activity.

In conversion, UxC has been publishing separate prices for delivery in North America (NA) and Europe (EU) for a long time as delivery fees and other factors create slightly varied pricing among the locations. SWU, on the other hand, is reflective of pricing for delivery at any western fabricator (i.e., in the U.S. or Europe).

Question: Does UxC impute any prices based on form?

Answer: When bundled products, such as UF_6 or enriched uranium product (EUP), are offered or transacted, UxC does not impute the implied uranium, conversion, or SWU component prices. We do publish an independent UF_6 price. However, since specific offers/transactions can incorporate variations in the pricing for the U_3O_8 and conversion component in the UF_6 , it is not our practice to impute those component prices. The only time this does not apply is when individual pricing for both the U_3O_8 and conversion are provided as part of the offer and the buyer has an option to buy only one of the components. A similar requirement exists for EUP.

Question: How does UxC handle issues of lack of price information due to lack of market activity?

Answer: Apart from spot uranium, the nuclear fuel markets tend to be sporadic in terms of activity. This is one reason why all but our spot and 3- and 5-year uranium prices are published only on the last Monday of each month. While UxC endeavors each month to collect as much new price data for all its price indicators, there are unfortunately times when no new data is available. In these situations, UxC's policy is to make no change to the price indicator(s) for which no new data is available.

Question: How does UxC go about collecting and analyzing data for its price reporting?

Answer: UxC employs a team of experts that collectively have over one hundred years of nuclear fuel market and industry experience to collect and assess price-related data and analyze developments that affect the market. To support its data collection activities, UxC has built strong relationships with all primary entities active in the industry. This includes utilities, producers, traders, financials, and brokers. To the extent possible, UxC communicates regularly with these market participants, either verbally or through written communication. UxC has concluded confidentiality agreements with many of these parties to ensure that provided data remains protected and information is shared smoothly and efficiently.

Question: How does UxC verify price data collected?

Answer: UxC makes every effort to independently verify every single data point. This is primarily done by communicating with both parties in a transaction or by comparing data with multiple active parties. Moreover, if any data point reflects what appears to be an outlier from other data, this information must be verified more fully before it can be considered valid for use in any price determinations. We would also note that there are often rumors circulating in the market about certain deals or prices. UxC never relies on any such rumored information and seeks to track down and substantiate any data point before it can be considered for our

price reporting. UxC also strives to ensure that each data point (transaction price, bid, or offer) used for price determination is based on an arms-length transaction that does not include any special conditions and is generally repeatable in the overall marketplace.

Given UxC's team approach to data collection, it must also be emphasized that we have a strict policy that no single person is ever able to determine prices, and thus verification is performed by more than one person in the company at all times. Ultimately, our aim is to maintain vigorous data collection at all times and a screening program that involves information obtained from as many sources as possible.

Question: Does UxC use other reported prices when determining its indicators?

Answer: When determining any of its indicators, UxC independently verifies each of the data points used in its evaluation of price. While there has been a growing number of other regularly reported pricing points over the past decade, such as bid and offers for various components, including UxC's own Broker Average Price (BAP), we do not rely on any outside reported data as a source on which we base any of our proprietary price indicators.

Question: Does UxC's price data collection activities differ depending on the type of market participant?

Answer: Whether price information is obtained from a utility, producer, trader, or other entity, as long as that party is a reputable, active participant in the market, the data is considered useable. We do not weight any data differently depending on the reporting entity. Moreover, while UxC is open to receiving data from any market participant, we do not have the power to force people to report to us. This is a truly voluntary process, although all market participants should see the value in participating and sharing their price data with UxC since this generates greater confidence in the reported prices.

Question: How does UxC handle divergent price data points that are collected at the same time?

Answer: There often can be variations in the prices we see among transactions, bids, and offers at any given time. At times, there will be instances where a range of prices is seen in the market, and transactions may end up being concluded above or below our published indicator. While timing and the availability of price information play a role in explaining these discrepancies, there can also be other factors, such as a buyer electing to pay above "market price" to incent a new producer, diversify its supplier portfolio, or some other reason. Sellers may elect to transact below "market price" to gain a new customer, move inventory off its books rapidly, or some other reason. Since these types of situations are characterized by extenuating circumstances (i.e., special conditions), they do typically do not inform UxC's price publication. In these situations, there are good reasons not to define the broader market by unique deals, and we can only congratulate either the buyer or seller in "beating the market."

Question: How is judgment applied in UxC's price reporting?

Answer: Knowledge and understanding of the actual conditions in the nuclear fuel market is paramount to accurate price reporting in this industry. UxC's team has decades of experience upon which it relies to inform its price reporting activities. Since these markets have unique attributes and continuously evolve, UxC must allow for its price reporting to adjust to the actual conditions on the ground at any given point in time. Moreover, when verifying and analyzing the data, there are times when data points conflict with each other. In these circumstances, UxC uses a team approach to identify and qualify the data to arrive at the most informed conclusion on the current actual price. Our guiding principle is for the data to lead us to the correct conclusion, and thus judgment is applied only sparingly in determining prices.

Question: Does UxC conduct audits of its price reporting activities and does it follow established best practices, such as the International Organization of Securities Commissions (IOSCO) Principles for Financial Benchmarks?

Answer: Since 2007, UxC's spot uranium price indicator has been the settlement price for the publicly-traded UX futures contract on the New York Mercantile Exchange (now part of CME Group). All CME futures are overseen by the U.S. Commodity Futures and Trading Commission (CFTC), and, as a result, the Ux U₃O₈ Price® is the only regulated uranium price indicator in the world. To comply with CME and CFTC standards, UxC has performed rigorous reviews and delivered resulting reports to these parties, which have been audited and certified. Since the IOSCO principles were first published in 2013, UxC has carefully reviewed the outlined best practices and has confirmed that its price reporting practices fully align.

Question: What does UxC's price reporting say about its views about the current state and future of the market at any given time?

Answer: UxC remains completely neutral in its price reporting. If a price is rapidly rising or falling, UxC makes no comment whether this is a good or bad development. In our market commentary that accompanies our price reporting, we may identify the opinions of certain market participants regarding the latest price developments, but this is merely done as part of our reporting on the market and does not reflect our own views. Even when we write commentaries in our Ux Weekly cover stories or analytical

pieces in our Market Outlook reports, we generally refrain from suggesting whether a certain price movement is positive or negative. Our primary objective in these discussions is to highlight potential risks or other issues to help inform our clients, who may be active in the market or considering entering the market.

Question: Does UxC's price reporting in any way relate to its future market price forecasting?

Answer: UxC's price reporting and price forecasting activities are completely independent and do not interact in any way. Price reporting is the practice of identifying where prices are today. Price forecasts, on the other hand, are published to present a range of likely future direction for prices based on the most recent conditions. Thus, even when we are reporting prices, like the 3- and 5-year uranium indicators or our LT indicators, these are reflective of the current price that can be transacted for future deliveries. Price forecasts, on the other hand, are designed to provide guidance on where spot or LT prices will transact at future points in time. In this regard, UxC's price reporting is conducted through independent data collection with price indicators set irrespective of its own price forecasts. Our reported prices are always based on actual market conditions regardless of whether they agree with any specific price forecast we may have also published. Moreover, UxC's price forecasting activities are never conducted with the aim of "creating a price in the future." Our forecasts are meant to depict our view of what the future is likely to look like, not what we think it should look like.

Question: Has any company licensed the use of UxC prices for index reference in their contracts?

Answer: The only party that currently has an agreement with UxC to license any of its price indicators is CME for the Ux U₃O₈ Price®. No other party has ever been granted a license to use our price indicators. However, UxC is well aware that a large percentage of the world nuclear industry references its price indicators in contracts or for other purposes (e.g., marking the value of inventoried fuel assets). In this regard, we should remind everyone that the only way by which the costs for our extensive price reporting activities are recovered are through subscriptions to our products and services, including this Ux Weekly. For many other commodities, price indicators are licensed, and price reporting agencies charge license fees that support the collection of data and publication of prices. However, the use of price indicators as indexes in nuclear fuel contracts has not followed these practices seen in other commodities. We must emphasize that price reporting is not a free service, and unless UxC is able to continue to properly recover the costs involved, this service is not guaranteed to continue ad infinitum.

Question: What steps does UxC take to ensure it remains an impartial arbiter of the market?

Answer: It is important to understand that UxC is an independent market entity that provides an unbiased and balanced approach to the market and does not represent a single broker or trader view. UxC also does not have market ties that would influence price reporting. Moreover, because of UxC's unique position in the nuclear fuel markets, UxC employees and their immediate families are prohibited from investing in companies that buy/sell/support nuclear fuel related products or services as their primary business.

Question: Is UxC's price reporting set in stone or are you considering any changes in the future?

Answer: The nuclear fuel markets are constantly evolving, and UxC must adapt to these changes like any other market participant. We must also remind everyone that UxC does not dictate the way the market functions. We can only react to market changes, and thus our price reporting must be equally flexible. Over the years, we have introduced and discontinued various price indicators as the markets have shifted. It is entirely possible that we may do the same again in the future.

Ultimately, UxC always encourages feedback on our price reporting activities, and as already noted, our efforts in this area can only be maintained and improved with broad participation from across the nuclear fuel industry. Thus, for those who already participate regularly, we heartily thank you. And, for those who are not as active in this regard, we encourage you to share your market data as this will increase your confidence in the process and enhance your understanding of our price indicators.

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