

Third Quarter Spot Uranium Review

The third quarter of 2012, while moderate in overall volume, reflected a slight decline in activity, and buying interest on the part of utilities for spot delivery fell notably. This situation resulted in those buyers wishing to place material prior to year-end lowering prices in order to entice additional discretionary demand. This activity led to a slow decline off the \$52 price plateau from earlier in the year at the beginning of the quarter with the price decline increasing by the end of the quarter. The quarter ended with discretionary demand still limited and the spot price under additional downward pressure. Below is a brief review of some of the other highlights from last quarter.

Price – During the first two quarters of the year, the spot price maintained a narrow trading range bouncing around the \$52 level. However, during June, the price slipped slightly to below the \$51 mark, and the Ux U₃O₈ Price started the first week of the quarter at \$50.75 per pound. The spot price then started its slow descent during July, breaking

the \$50 barrier by the end of the month. The decline slowed a bit during the middle of August but hit \$48.50 by the end of the month. While it appeared that aggressive selling slowed during the first part of September, by the second half of the month, additional supplies for immediate delivery were being offered at lower prices, and the spot price ended the month at \$46.50 per pound with a continuing downward trend.

Buying Activity – One of the main issues for the continued decline in the spot price over the past quarter was the increase in supplies being made available for spot delivery and the lack of near-term demand. While utilities and others did step up during the quarter to make discretionary purchases as the price fell, there was an increase in interest for delivery beyond the 12 month spot time period, with several utilities as well as other buyers looking for late 2013 and 2014 delivery. As a result, multiple term transactions with one or two deliveries just beyond the 12-month spot time period were also booked during the

quarter. However, even this demand was not enough to encourage intermediaries to purchase sufficient supply in the spot market for delivery into carry trades to place any upward pressure on price.

Volume – Unlike the previous four years, the third quarter of 2012 did not break the 10 million pound mark; however, at 9.3 million pounds U₃O₈ equivalent, it came very close. In general, spot volume

Ux U₃O₈ Price: (10/15/12)
\$43.50 (-\$2.25)

Ux LT U₃O₈ Price: (9/24/12)
\$60.00

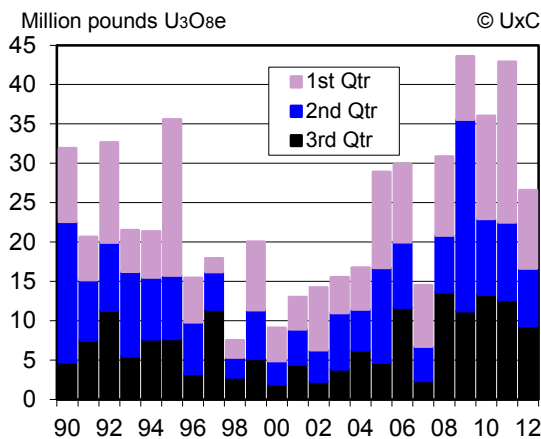
Ux Weekly Uranium Spot Prices



has declined this year compared to the last several years, although the number of transactions still remains on the higher side. A total of 54 spot transactions were reported during the third quarter, up from the second quarter's 49 transactions involving 7.3 million pounds U₃O₈e. For the first three quarters of the year, a total of 166 transactions have been booked involving about 26.6 million pounds U₃O₈e. As shown in the chart to the left, this is down considerably from the levels posted over the previous three years, but falls in line with the increased averages since 2005.

With a total of 54 transactions and 9.3 million pounds for the quarter, the average spot delivery size actually increased during the quarter to 172,000 pounds per transaction. This level is up from the 150,000 pound average posted over the previous seven quarters. However, it should be noted that there were multiple larger-sized transactions (>500,000 pounds U₃O₈e) posted during the quarter to help increase the average. On the other hand, there were fewer transac-

Comparison of Quarterly Spot Volumes



tions reported below the 100,000 pound level as well.

Form – For the third quarter, UF₆ activity picked up slightly to represent 22% of the overall volume from the 16% level posted during the second quarter. However, this volume is down from the 42% share posted during the first quarter. Given the extended outage at the Metropolis plant, it has been interesting to see that spot activity for both UF₆ and conversion remains at lower levels. The main spot activity remains focused on straight U₃O₈, with this form accounting for over 71% of the overall volume; however, this is down from the 84% share reported during the second quarter. Part of this decline is attributed to the slight increase in UF₆, but a larger portion is due to an increase in enriched uranium product (EUP) volume for the quarter.

After being relatively absent from the market over the past year, this form accounted for over 6% of last quarter's volume.

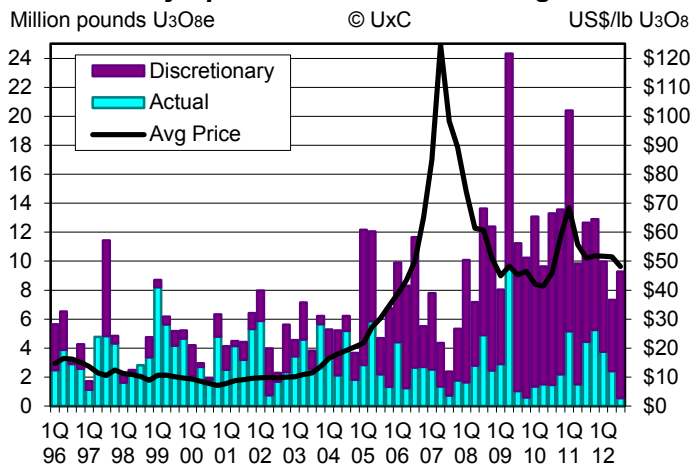
Buyers & Sellers – With the decline in the spot price, discretionary demand did pick up in the utility sector. For the quarter, utilities represented almost half of the overall volume, up from the 28% share during the second quarter and the one-third share average over the previous seven quarters. At 7%, producer buying picked up slightly over the 3% reported during the second quarter but is down notably from the 15% average this group held in the previous year. Traders and others made up the remaining 45% of purchase volume. On the sales side, it was interesting to see that producers actually increased their spot sales levels over the past two quarters, maybe one

made up the remaining 68% of third quarter sales.

Need & Method – As mentioned above, discretionary demand did pick up last quarter as offers became more aggressive and, as shown in the chart below, this buying classification still reflects most of the spot activity over the past several years. In being discretionary, most activity also remains very quiet and classified as off-market.

Fourth Quarter Outlook – As mentioned above, much of the utility focus for near-term demand is for late 2013 as well as 2014. Utility uncovered requirements remain very limited over the next couple of years, and as we have seen during the last several price drops, additional discretionary purchases have pushed off actual needs even further. Combined with the near- to medium-term awards that have increased this year, we are witnessing additional “demand stealing” and the situation of limited actual needs being pushed out even further. To compound this situation, it appears that at least over the past several weeks several sellers have been active with the desire to place material with delivery prior to year end. If this activity continues against a backdrop of very limited spot demand, spot price is likely to remain under downward pressure until the year-end selling (which has come early this year) dies down.

Quarterly Spot Volume vs. Ux Average Price



of the reasons why this group's purchase volume also decreased during the same period. Producers accounted for almost 32% of the sales volume, up from the 28% share reported during the second quarter, and 19% during the first quarter. Traders and others

Uranium Spot Market Statistics

(Million pounds U₃O₈ equivalent, * includes activity through October)

	2009			2010					2011					2012			
	3Q	4Q	Yr.	1Q	2Q	3Q	4Q	Yr.	1Q	2Q	3Q	4Q	Yr.	1Q	2Q	3Q	Yr.*
Total Volume	11.2	10.2	53.8	13.1	9.6	13.3	13.6	49.6	20.4	9.8	12.7	12.9	55.8	10.0	7.3	9.3	27.9
# Transactions	55	59	225	57	51	69	90	267	114	71	98	82	365	63	49	54	179
Leadtime (mths)	2.3	2.2	2.7	1.9	2.9	2.2	2.3	2.3	1.9	1.7	1.3	1.7	1.7	2.6	3.2	2.7	2.8
Form																	
U ₃ O ₈ Total	7.3	8.2	38.0	9.3	7.0	10.4	11.3	38.0	13.8	8.1	9.6	10.5	42.0	5.7	6.2	6.6	19.7
UF ₆ Total	3.9	2.0	14.9	3.8	2.6	2.1	2.3	10.8	5.9	1.8	2.8	2.1	12.6	4.2	1.2	2.1	7.6
EUP Total	0.0	0.0	0.9	0.0	0.0	0.7	0.0	0.7	0.7	0.0	0.2	0.3	1.2	0.1	0.0	0.6	0.7
Need																	
Actual	1.1	0.6	14.2	1.4	1.5	1.5	2.2	6.5	5.2	1.5	4.4	5.3	16.4	3.8	2.4	0.6	6.7
Discretionary	10.2	9.6	39.6	11.7	8.1	11.8	11.4	43.0	15.2	8.3	8.2	7.6	39.4	6.2	4.9	8.7	21.2
Method																	
On-market	0.4	1.4	3.3	1.4	2.3	1.1	1.4	6.2	2.6	0.5	0.7	2.0	5.8	1.4	0.3	0.0	1.7
Off-market	10.8	8.8	50.6	11.7	7.4	12.2	12.1	43.4	17.8	9.4	11.9	10.9	49.9	8.6	7.0	9.3	26.2

News Briefs

Toshiba to purchase Shaw's stake in Westinghouse

On October 10, Toshiba announced that Shaw is exercising a put option to sell its 20% stake in Westinghouse. Toshiba will purchase Shaw's 20% stake in Westinghouse for an estimated price of \$1.6 billion. The transaction is expected to close in January 2013. The purchase of Shaw's stake in Westinghouse will boost Toshiba's total ownership in the company to 87%. Toshiba has stated that it is already in negotiations with some potential partners who could purchase part of its stake in Westinghouse. Toshiba is willing to sell a partial stake in Westinghouse on the condition that it still retains majority ownership in the company.

Lithuanian voters reject nuclear energy

In a referendum yesterday (Sunday), approximately 63% of voters in Lithuania rejected a planned nuclear power plant. Turnout for the referendum was 52%. Although the referendum was nonbinding, it increases the amount of uncertainty as to whether plans for a Hitachi Advanced Boiling Water Reactor will be realized. In addition, three opposition parties won the majority of the votes in the first round of a Parliamentary elec-

tion, which was also held yesterday. The Labor Party won 23% of the total votes, the Social Democratic party won 20% of the votes, and the Order of Justice Party won nine percent of the votes. In contrast, the party of Lithuania's existing Prime Minister, the right-of-center Homeland Union, only won 13% of the votes. However, the final composition of Lithuania's Parliament will not be known until runoff elections are held in two weeks for districts where no candidate obtained a majority in the first round.

The two largest opposition parties are much more critical of nuclear energy than Lithuania's existing ruling Conservative party. Social Democratic leader Algirdas Butkevicius has stated that although his party does not want to immediately cancel the new nuclear power plant, it does want an extensive analysis before deciding whether it will be built. The leader of the Labor Party, Viktor Uspaskich, has also expressed caution regarding the new nuclear plant project. Uspaskich wants more details on the cost of the plant and future electricity prices before deciding whether to commit to its construction. The Social Democrats, Labor, and Order of Justice are now negotiating a potential coalition agreement.

Dome installed for Fuqing 3 in China

On October 9, the reactor dome was

successfully installed for Unit 3 at the Fuqing nuclear power plant in China. The Fuqing nuclear power plant will have six reactors that use China's 1,000 megawatt CPR-1000 design. Unit 3 is expected to begin operation in 2015. The first two units at Fuqing will begin operation in 2013 and 2014. China currently has 15 reactors in operation, but by the end of 2015, that number is expected to increase to a total of 42 operational reactors.

EDF's reactors to require greater maintenance over the next several years

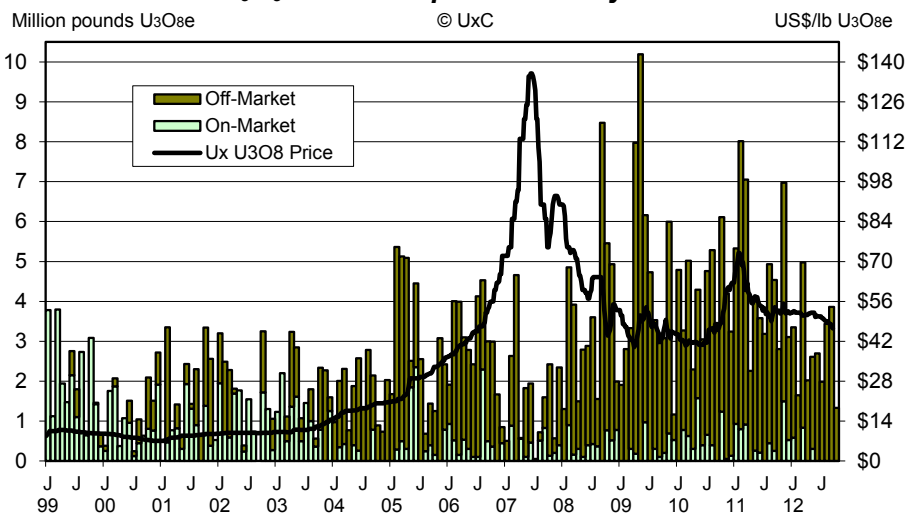
EDF expects its reactors to require more maintenance work over the next few years, according to Herve Machenaud, the utility's executive director for production and maintenance. Machenaud believes that more maintenance will be needed in 2013, 2014, and especially 2015, and sees the trend for higher reactor maintenance continuing through 2020. "The fleet's average age is 26 years. A lot of once-a-decade reviews are coming due. We are going to face a denser period of maintenance," said Machenaud in a quote to *Reuters*.

AREVA defers Trekkopje mine

AREVA reported October 11 that it has deferred start-up of its US\$1 billion Trekkopje uranium mine in Namibia until market conditions improve. "Considering both the continued decrease of uranium prices coupled with the investments yet to be made on site, AREVA has no other option than to postpone the launch of the Trekkopje mine," the company said in a statement.

AREVA said the project, which utilizes the "heap-leaching" extraction process and is about 80% complete, was only viable at a price of \$75 per pound U₃O₈ or higher. It will cost the company \$10 million per year to keep the project under care and maintenance. The mine was expected to produce up to 3,000 tU (~7.8 million pounds U₃O₈) per year at full capacity.

Ux U₃O₈ Price vs. Spot Volume by Method



As part of its *Action 2016 Strategic Plan* announced on December 13, 2011 to improve company performance, AREVA had already noted that it would postpone start-up of the Trekkopje project due to lower future price expectations and a downward revision in Trekkopje's resource to 26,000 tU (~67.6 million pounds U₃O₈) from 46,200 tU (~120.1 million pounds U₃O₈) at 0.015% U₃O₈.

Niger warns AREVA not to delay development of Imouraren

According to *Reuters*, Niger warned AREVA on October 11 against any further delays to developing the Imouraren mine, stating it could not support a company that is unable to meet its commitments. The mine could boost Niger's uranium output by up to 5,000 tU (~13 million pounds U₃O₈) per year at full capacity, but the planned startup was delayed to 2014 from 2012 following the kidnapping of seven AREVA workers two years ago. Construction work has also been hampered by labor disputes that triggered strikes earlier this year.

"The deadline for finishing civil engineering on the site must be strictly met," said Niger Mines Minister Omar Hamidou Tchiana on state television after visiting the project on October 10. "It is out of the question for Niger to endorse a company that is unable to honor its commitments," he added. He did not indicate what action Niger might take against AREVA if it fails to live up to the government's expectations. An AREVA spokesman in Niger declined to comment on the matter.

ERA's Ranger production jumps 96%

Energy Resources of Australia Ltd. (ERA) announced October 11 that uranium production from its Ranger mill in the Northern Territory of Australia totaled 2,732,000 pounds U₃O₈ in the third quarter of 2012, which was 96% higher than production of 1,393,000 pounds U₃O₈ in the second quarter of 2012.

Through three quarters of 2012, Ranger production has totaled 5,474,000 pounds U₃O₈, which is 54% higher than for the same period of 2011.

Since ERA was able to obtain full mining access to Ranger Pit 3 in May 2012 following dewatering operations, this facilitated earlier than anticipated access to the higher grade ore located at the bottom of the pit, which, in turn, led to the increase in total material mined, mill head grade, and uranium production in the September 2012 quarter. ERA continues to expect to complete mining in Pit 3 by the end of 2012. However, this remains dependent on the level of rainfall encountered during the remainder of 2012. ERA has narrowed its 2012 production guidance to be within a range of 3,400 t U₃O₈ (~7.5 million pounds U₃O₈) and 3,700 t U₃O₈ (8.2 million pounds U₃O₈).

ERA stated that construction of the Ranger 3 Deeps exploration decline remains on schedule and budget with excavation of the boxcut and all ground support work now complete. Work on the decline is scheduled to commence in November 2012 with ERA targeting completion of the first 100 meters of the decline by the end of 2012. A decision on the viability of the Ranger 3 Deeps development is expected by late 2014. Ranger 3 Deeps could be in production by 2016, ensuring the continuation of production there.

In related news, *The Australian* has said that ERA is close to concluding a mining agreement with the Mirarr people that gives them greater benefits from mining while extending the Ranger operation beyond the current 2016 life estimate.

Cameco signs agreement with Martu people

Cameco Corporation announced October 12 that a landmark agreement – the Kintyre Mining Development Indigenous Land Use Agreement – between Western Desert Lands Aboriginal Corporation (WDLAC) and Cameco secures the

Industry Calendar

- October 14-17, 2012
NEI Uranium Fuel Seminar
Nuclear Energy Institute
<http://www.nei.org/newsandevents/>
The Gran Sandestin Hotel
Destin, FL, USA
- October 23-24, 2012
4th Annual Nuclear Construction Summit
NuclearEnergy Insider
<http://www.nuclearenergyinsider.com/>
The Ritz-Carlton
Charlotte, NC, USA
- October 25-26, 2012
US Plant Safety Enhancements Conference
NuclearEnergy Insider
<http://www.nuclearenergyinsider.com/>
The Ritz-Carlton
Charlotte, NC, USA
- November 7-9, 2012
3rd Annual China International Nuclear Symposium
World Nuclear Association
<http://www.wna-symposium.org/china/>
Renaissance Beijing Capital Hotel
Beijing, China
- December 9-12, 2012
European Nuclear Conf. 2012
European Nuclear Society
<http://www.euronuclear.org/events/enc/>
Manchester Central Convention
Manchester, UK
- April 9-11, 2013
World Nuclear Fuel Cycle
NEI/WNA
<http://www.wnfc.info/>
The Fairmont Singapore
Singapore

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

support of the Martu people for developing the Kintyre uranium project in the Western Desert region of Australia.

WDLAC chairman Teddy Biljabu said the agreement allows for a high level of traditional owner engagement. "Never before have Martu people been able to negotiate for such strong terms over the life of a project," he said. "The Kintyre Agreement opens the door to a range of business, employment, and cultural initiatives which ensure Martu have a strong stake in the future of the devel-

opment.”

The mining development agreement was developed over a three-year period and was ratified by Martu community members at a special general meeting held in Parngurr (Cotton Creek) on September 26, 2012. “Securing the social license to operate in the region is an important step since it allows us to continue to work in the area as we assess the flexibility of the Kintyre project,” said Brian Reilly, Managing Director for Cameco Australia. Cameco is currently conducting work to advance the Kintyre project toward a development decision.

Toro’s Wiluna approved by WA Minister for Environment

Toro Energy Ltd. announced on October 10 that the Western Australian Minister for Environment, Bill Marmion, approved the company’s Wiluna uranium project in Western Australia (WA). Toro stated that the approval follows more than three years of community consultation through numerous environmental and technical studies and subsequent governmental assessments.

Toro’s Wiluna uranium project comprises two deposits near Wiluna. The project is scheduled to process 1.3 million tonnes of ore per annum to produce approximately 1.8 million pounds U₃O₈ per year. Toro now awaits the completion of the Australian Federal Government’s assessment of the Wiluna uranium project.

Toro Managing Director Greg Hall said, “Toro welcomes Minister Marmion’s decision to approve the first uranium mine since the change in uranium policy by the Western Australian Government in 2008. This represents a true achievement by many people who have worked diligently to deliver a project that will provide benefits to the local community, as well as to Western Australia, in an environmentally sustainable manner.”

Talvivaara’s uranium permit delayed

On October 8, *Reuters* announced that

Talvivaara’s uranium production license will be delayed until early next year, although the company had expected to receive the permit before the end of this year. The company’s uranium extraction permit has apparently been slowed by appeals from 150 citizens and non-governmental organizations.

Talvivaara’s uranium permit calls for production of about 350 tU (~910,000 pounds U₃O₈) per year as a byproduct of its typical nickel and zinc production operations at its Sotkamo mine in Finland. Furthermore, in February 2011, Cameco Corp. announced it would purchase all of Talvivaara’s byproduct uranium production from Sotkamo.

UEC reports NI 43-101 exploration target at Oviedo project

Uranium Energy Corp. (UEC) announced October 10 the results of an independent National Instrument (NI) 43-101 Technical Report on the exploration potential of the company’s Oviedo uranium project located in eastern Paraguay. BRS Engineering compiled the report based on a 10,000 meter drilling program, a detailed airborne radiometric survey, Landsat-based structural and geochemical analysis, surface mapping, sampling, and other exploration efforts conducted by UEC, coupled with historic work by Crescent Resources and The Anschutz Corporation.

BRS noted that based on both current historic uranium data, uranium mineralization at Oviedo is associated with sandstone-type mineralization within the San Miguel Formation. Aquifer testing to date supports operational rates for in-situ recovery (ISR) mining. Furthermore, BRS set a lower limit exploration target of 23.1 million pounds U₃O₈ grading 0.04% U₃O₈ and an upper limit exploration target of 56.0 million pounds U₃O₈ grading 0.052% U₃O₈. The company emphasized that this is not a mineral resource and the potential quantities and grades are conceptual in nature.

Going forward, BRS presented recommendations for UEC that include a

Phase 1 study consisting of further surface radiometric investigations as well as a 20,000 meter drilling program. Furthermore, BRS stated that all information collected during Phase 1 should be compiled and that UEC should then consider gathering the data necessary to support a Preliminary Economic Assessment (PEA). Currently, UEC is conducting radon gas surveys across specific anomalous areas, continuing subsurface mapping, and planning for resumption of drilling along the identified redox trends.

UEC reports quarterly production

On October 15, Uranium Energy Corp. announced production results for the fourth quarter (Q4) and fiscal year ended July 31, 2012. During Q4, the company produced 44,000 pounds U₃O₈ compared to 34,000 pounds U₃O₈ produced during Q3. The company also completed its third uranium sale of 150,000 pounds U₃O₈ at US\$50 per pound for gross proceeds of US\$7.5 million at a cash cost of US\$21 per pound U₃O₈ sold. For the fiscal year ended July 31, 2012, UEC sold 270,000 pounds U₃O₈ at an average price of US\$51 per pound sold for gross proceeds of US\$13.8 million with average cash costs per pound sold of US\$18 per pound excluding royalties.

UEC expects to commence production from Production Area-3 by December 2012 and is currently working on permitting and developing Production Areas-4 and 5. At the Goliad ISR project in South Texas, the company has received all of the required permits from the Texas Commission on Environmental Quality (TCEQ) and continues to work with TCEQ and the EPA as the review process moves forward on gaining concurrence from the EPA on the aquifer exemption permit.

Peninsula announces Lance project drilling

On October 15, Peninsula Energy Ltd.

announced that it completed a further 112 drill holes for a total of 118,300 feet since August 25 at its Lance projects in Wyoming. This drilling focused on converting inferred resources to the indicated category in the planned Kendrick production unit, which is located to the west of the nearby Ross production unit. Highlights from this latest round of drilling include: 42.5 feet grading 0.0322% U₃O₈, 6.5 feet grading 0.178% U₃O₈, 25.5 feet grading 0.0429% U₃O₈, and 18.0 feet grading 0.250% U₃O₈.

In addition to this resource expansion drilling, Peninsula has completed a series of diamond core drill holes within the existing permit area. Peninsula also recently suspended resource drilling for several weeks as it completes multiple clusters of aquifer monitoring wells as part of its Mine Permit extension process, which is being undertaken to include the Kendrick production unit in the mine planning schedule going forward.

Energy Fuels settles with Telluride and San Miguel County

Energy Fuels Inc. announced October 11 that it reached a settlement with the town of Telluride, Colorado and San Miguel County, Colorado in the company's Pinon Ridge mill license challenge. The settlement between Energy Fuels, Telluride, and San Miguel County includes provisions related to transportation, the financial surety, and protection of area watersheds. Under the settle-

ment's terms, Energy Fuels' obligations will not be triggered until operations begin at its proposed Pinon Ridge uranium mill.

Energy Fuels President and CEO Stephen Antony said, "We are extremely happy to have reached an agreement with the Town of Telluride and San Miguel County. We think this agreement demonstrates that Energy Fuels is willing to address the reasonable concerns of stakeholders as we continue to work toward the reissuance of the license."

Alligator reports drilling on the Orion Trend

Alligator Energy Ltd. announced on October 9 drilling results from holes drilled on the Tin Camp Creek project in Arnhem Land, Northern Territory, Australia. Since September 15, the company has completed over 8,483 meters, which was reportedly consistent with ongoing exploration throughout the Orion Trend. The company is currently conducting broad-spaced infill drilling to better understand the project's geology, structure, and distribution of uranium mineralization over a seven kilometer strike extent on the Orion Trend. Exploration drilling at the Orion Trend returned highlights including: 13.8 meters grading 0.0205% U₃O₈, 7.8 meters grading 0.0140% U₃O₈, 7.8 meters grading 0.0118% U₃O₈, 50 meters grading 0.0153% U₃O₈, and 20 meters grading 0.0234% U₃O₈. The company expects

to continue drill testing the project well into October.

In its release, Alligator further announced that Phase 1 drilling recently intersected a new mineralized zone known as the Mintaka prospect, which extends known mineralization at the South Horn deposit. Both of these prospects are associated with broad zones of alteration and uranium

UxC Monthly Spot Market Data				
Month	Ux U3O8 Price	Volume	Average	# of Trans
		(mill lbs U₃O₈e)	Leadtime Months	
Jan '11	\$73.00	5.33	1.9	28
Feb	\$69.75	8.01	2.1	35
Mar	\$62.50	7.05	1.7	51
Apr	\$55.50	2.26	1.9	18
May	\$57.50	4.00	1.7	32
Jun	\$54.25	3.58	1.5	21
Jul	\$51.50	3.19	1.7	27
Aug	\$49.00	4.93	1.3	32
Sep	\$52.50	4.54	1.0	39
Oct	\$52.00	2.80	1.6	18
Nov	\$51.75	6.97	1.6	48
Dec	\$51.75	3.11	2.3	16
Jan '12	\$52.00	3.35	2.4	26
Feb	\$52.00	1.65	4.2	9
Mar	\$51.00	4.97	2.2	28
Apr	\$51.75	2.02	3.3	14
May	\$52.00	2.61	3.9	15
Jun	\$50.75	2.70	2.5	20
Jul	\$49.50	1.98	1.9	13
Aug	\$48.50	3.44	3.7	19
Sep	\$46.50	3.86	2.4	22

anomalism. Highlights associated with these two deposits include: 15 meters grading 0.0512% U₃O₈, 50 meters grading 0.0153% U₃O₈, 8 meters grading 0.1050% U₃O₈, and 32 meters grading 0.0678% U₃O₈.

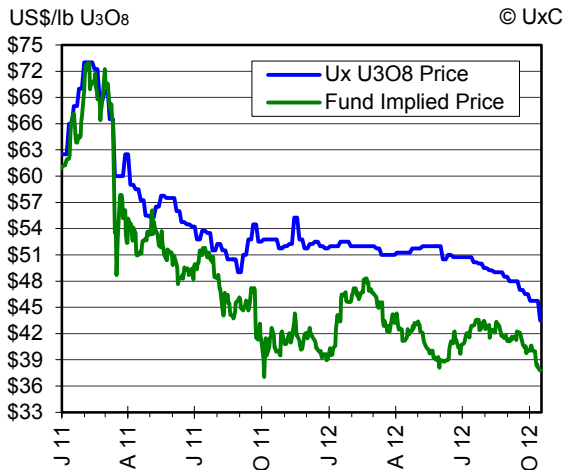
UPC appoints George Assie to Board of Directors

Uranium Participation Corporation (UPC) reported October 10 that the Board of Directors has approved the appointment of Mr. George Assie to the Board. Mr. Assie will replace Mr. Kelvin Williams who passed earlier this year.

Mr. Assie served as Senior Vice President Marketing and Business Development for Cameco Corp. from January 1, 2003 until retirement on December 31, 2010. Currently, he serves on the boards of two of Cameco Corp.'s subsidiaries, as well as Global Laser Enrichment.

"George's extensive experience and knowledge of the uranium market will be a great asset to Uranium Participation going forward," commented UPC's Chairman, Dick McCoy.

Ux U₃O₈ Price vs. Find Implied Price (FIP)



The Market

Uranium Spot Market

The market traded down notably over the past week in the wake of a rash of year-end selling. It appeared a wave of activity would take place and then price would move down another \$0.75 to induce the next round of buying. In the current market, material needs to be priced in such a way that it can be purchased and financed to carry into the midterm where there are open requirements on the part of utilities. Over the past week, there were spurts of market activity at the \$45, \$44.25, and \$43.50 price levels. All told, volume for the week registered about 900,000 pounds U₃O₈ under nine transactions. Today, the market continues to be under downward pressure, and the Ux U₃O₈ Price registers \$43.50 per pound, down \$2.25 for the week, representing the largest weekly price drop since April 2011, right after the Fukushima accident.

As discussed in the cover, year-end selling appears to have come early this year. The question that faces the market now is what will happen when the current round of selling is completed. Will the market "gap up" with the

sellers remaining in the market not nearly as anxious to place material, resulting in a wide bid/offer range? To the extent that the recent price movement has been driven by year-end selling, this scenario is possible as this type of selling is likely to come to an end in the relatively near future. Obviously, there has been a lot of inventory supply and little in the way of near-term unfilled requirements, so it is difficult to construct any sort of a bullish scenario. However, even if price were to move back to its previous \$49-\$50, this would be a huge jump given its current level. It is also possible that price could continue to sink, but these price levels remove most producers as sellers and could turn them into buyers, as price levels are impinging on their production costs.

UxC Broker Average Price

The UxC Broker Average Price (BAP) trended downward by week's end, as the BAP began the week unchanged on Tuesday at \$46.38. By Thursday, the midpoint slid into \$45-territory, as it finished the day at \$45.75, down \$0.63. By Friday, the indicator dropped a further \$0.19 to \$45.56. Today's UxC BAP continues the trend at \$43.50, down \$0.13 on the day and down \$2.25 from

Ux Price Indicators (€ Equiv**)			
Weekly (10/15/12) 1 US\$ = .77280€			
Ux U₃O₈ Price		\$43.50	€33.62
Mth-end (9/24/12) 1 US\$ = .77345€			
U ₃ O ₈	Spot	\$46.50	€35.97
	Long-Term	\$60.00	€46.41
Conversion	NA Spot	\$9.00	€6.96
	NA Term	\$16.75	€12.96
	EU Spot	\$9.50	€7.35
EU Term		\$17.25	€13.34
	NA Price	\$130.50	€100.94
U ₆ Spot	NA Value*	\$130.50	€100.93
	EU Value*	\$131.00	€101.31
SWU	Spot	\$125.00	€96.68
	Long-Term	\$140.00	€108.28
EUP	NA Spot**	\$2,112	€1,634
	NA Term**	\$2,645	€2,046

last Monday's \$45.75. The BA Bid is \$43.00, down from last Monday's \$45.25 and the BA Offer is \$44.00, down from last Monday's \$46.25.

Fund Implied Price (FIP)

Fund Implied Prices (FIP) duplicated the notable drop in the physicals price over the past week as it started Tuesday with a \$1.24 drop to \$38.75. With the exception of a slight increase on Thursday, the FIP ended the week at \$38.15. The decline continues into today, as the FIP has fallen to \$37.78, down \$2.21 for the week. The latest FIP information can be

UxC Market Statistics				
Monthly (Oct)	Spot		Term	
	Volume	# Deals	Volume	# Deals
U ₃ O ₈ e (million lbs)	1.4	14	0	0
Conv. (thousand kgU)	W	4	0	0
SWU (thousand SWU)	0	0	0	0
2012 Y-T-D				
	Spot		Term	
	Volume	# Deals	Volume	# Deals
U ₃ O ₈ e (million lbs)	28.0	180	179.2	31
Conv. (thousand kgU)	>5,529	60	>26,900	14
SWU (thousand SWU)	W	3	>17,800	8

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

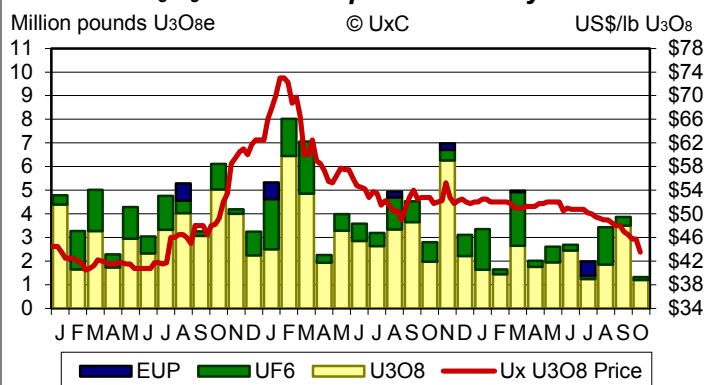
UxC Leading Price Indicators

Three-month forward looking price indicators, with publication delayed one month. Readings as of Sep 2012.

Uranium (Range: -17 to +17)	-6 [down 1 point]
Conversion (Range: -16 to +16)	+4 [up 1 point]
Enrichment (Range: -18 to +18)	-6 [up 1 point]

Platts Forward Uranium Indicator	\$41.00-45.00
A forward one-week outlook.	As of 10/15/12 (US\$/lb)

Ux U₃O₈ Price vs. Spot Volume by Form



Not Hanging Around

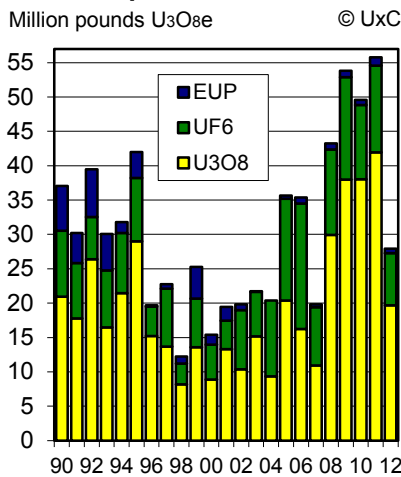
O'Reilly was in a bit of a fix. He was filling in an insurance form and was asked to state how his parents had died. His mother was not a problem, she had died of a coronary at the age of 71, but his father had been hanged for murder at the age of 46.

He did not want to say this, though, so after a bit of thought came up with a solution and filled in the form: "My father died at the age of 46 when a platform collapsed at a public occasion."

Ux U₃O₈ Prices



Annual Spot Uranium Volumes



found in the chart on page 6.

U₃O₈ Futures Market

The CME Group futures market for uranium picked up 225 contracts (56,250 pounds U₃O₈) in the last week of September. The week's activity began on Monday, September 24 when 75 total contracts were booked in three 25-

contract lots for the months of October, November, and December 2013 in an over the counter deal (OTC) in which prices were not reported. This activity was followed on Thursday, September 27 with 150 contracts booked in three separate 50-contract lots for the newly-added July, August, and September 2014 contract months, also in an OTC deal. Prices for the week remained flat early in the week before sliding by week's end. With the week's increase in 225 contracts (56,250 pounds U₃O₈), the September monthly total increases to 965 contracts (241,250 pounds U₃O₈) and the 2012 annum total to 5,232 contracts (1,308,000 pounds U₃O₈). Open interest increased by 200 contracts (50,000 pounds U₃O₈) during the week and now stands at 5,009 contracts (1,252,250 pounds U₃O₈).

Uranium Term Market

Activity remains moderate in the term uranium market with a few utilities now evaluating offers. Current activity includes a non-U.S. utility that is evaluating offers for one million pounds U₃O₈ with delivery over the 2013 to 2016 time period, plus optional years. Others that are evaluating include a U.S. utility that is reviewing offers for a sizeable delivery of uranium in 2016 related to an initial core need. Volume in this request totals over one million pounds equivalent as UF₆, and the utility will also consider enriched uranium product (EUP) as an

option. A non-U.S. utility is also looking for a sizeable amount of uranium contained in EUP with delivery in 2013. Other utilities continue to make inquiries with a focus on mid-term delivery.

Conversion & UF₆

Over the past week, a couple of transactions containing conversion were reported. Based on recent reports, interest for spot conversion is picking up. It is likely that each successive round of spot activity will result in slightly higher spot prices, opposite of the decline we are seeing in the spot U₃O₈ market. Current conversion-related activity includes a non-U.S. utility that is out for a larger quantity of EUP with delivery in 2013. This request has resulted in several inquiries by potential sellers for UF₆ supply. A U.S. utility is also evaluating offers for UF₆ and SWU or EUP related to an initial core with delivery in 2016. Several other utilities are also looking at various options for term coverage.

Enrichment & EUP

Activity remains limited with no new demand or transactions reported over the past week. Two requests for near-term, single-year, enriched uranium product (EUP) deliveries remain active. A U.S. utility is evaluating offers for UF₆ and SWU or EUP related to an initial core with delivery in 2016. A non-U.S. utility has offers due for a larger quantity of EUP with delivery in 2013.

Ux Price Indicator Definitions

The Ux Spot 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, taking into consideration information on bid prices for these products and services and the timing of bids and offers as well. The Ux U₃O₈ Price (Spot) includes conditions for delivery timeframe (≤ 3 months), quantity (≥ 100,000 pounds), and origin considerations, and is published weekly. The Ux LT U₃O₈ Price (Long-Term) includes conditions for escalation (from current quarter), delivery timeframe (≥ 24 months), and quantity flexibility (up to ±10%) considerations. The Ux Conversion Prices consider offers for delivery up to twelve months forward (Spot) and base-escalated long-term offers (LT) for multi-annual deliveries with delivery in North America (NA) or Europe (EU). The Ux NA UF₆ Price includes conditions for delivery timeframe (6 months), quantity (50-150,000 kgU), and delivery considerations. *The Ux NA and EU UF₆ Values represent the sum of the component conversion and U₃O₈ (multiplied by 2.61285) spot prices as discussed above and, therefore, do not necessarily represent the most competitive UF₆ 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 U₃O₈ Price, are published the last Monday of each month. (Units: U₃O₈ = US\$ per pound, Conversion/UF₆: 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.

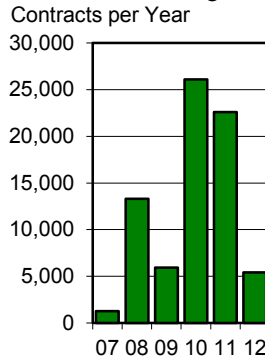
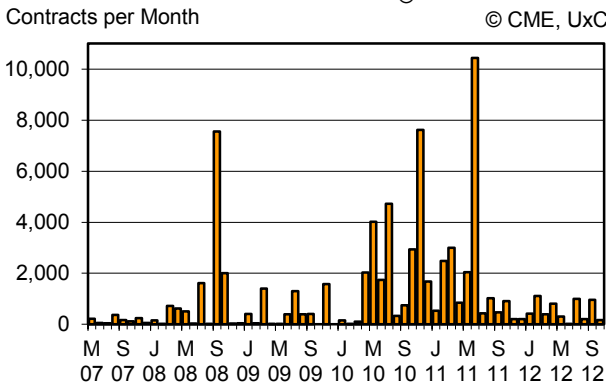
The Platts Forward Uranium Indicator price range belongs to Platts, a McGraw Hill Company, and is published with permission. Definitions of these prices are available from their original source.

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CME/NYMEX UX Futures Activity Total Contracts by Transaction Month, by Transaction Year

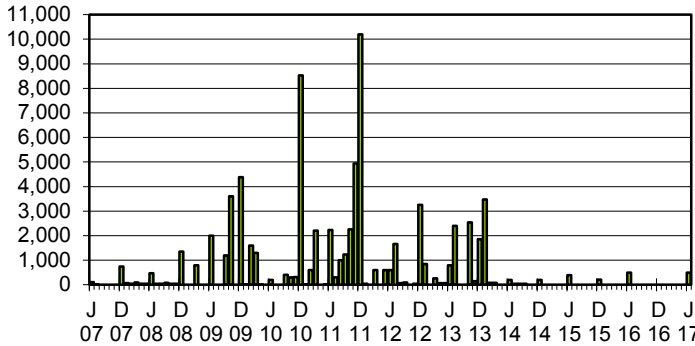


CME UxC Uranium U₃O₈ (UX) Futures

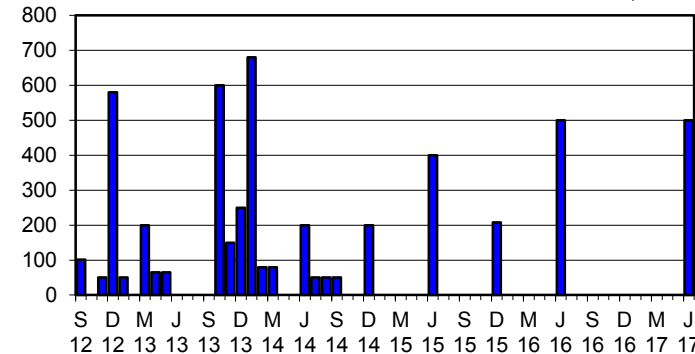
Activity as of October 12, 2012

Settlement	Price	Volume	Open
Jul 2012	\$49.50	1,665	N/A
Aug 2012	\$48.50	65	N/A
Sep 2012	\$46.50	101	101
Nov 2012	\$44.00	50	50
Dec 2012	\$44.00	3,251	580
Jan 2013	\$44.10	850	50
Mar 2013	\$44.65	265	200
Apr 2013	\$44.90	65	65
May 2013	\$45.10	65	65
Jun 2013	N/A	800	0
Jul 2013	N/A	2,400	0
Oct 2013	\$45.45	2,550	600
Nov 2013	\$45.55	150	150
Dec 2013	\$45.65	1,859	250
Jan 2014	\$45.75	3,480	680
Feb 2014	\$45.85	80	80
Mar 2014	\$46.65	80	80
Jun 2014	\$47.10	200	200
Jul 2014	\$47.10	50	50
Aug 2014	\$47.10	50	50
Sep 2014	\$47.10	50	50
Dec 2014	\$48.05	203	200
Jun 2015	\$48.10	400	400
Dec 2015	\$49.45	210	208
Jun 2016	\$49.70	500	500
Jun 2017	\$51.90	500	500
From May 2007		Totals:	74,634
			5,109

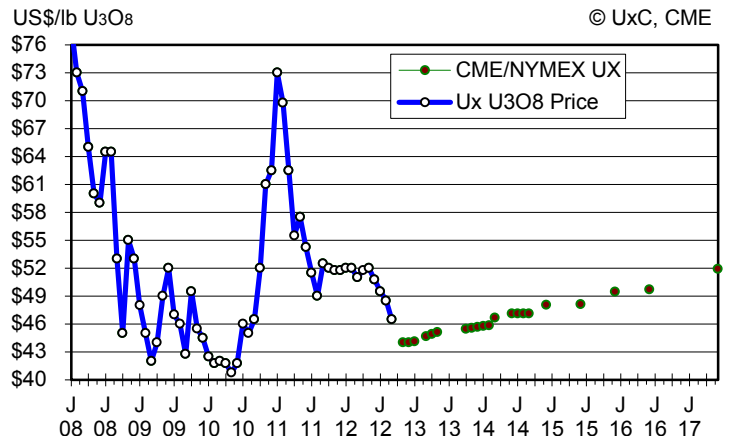
Contracts per Month © CME, UxC



Contracts per Month © CME, UxC



Ux U₃O₈ 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 Armajaro Securities (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 U₃O₈ 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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US\$/lb U₃O₈ © UxC

