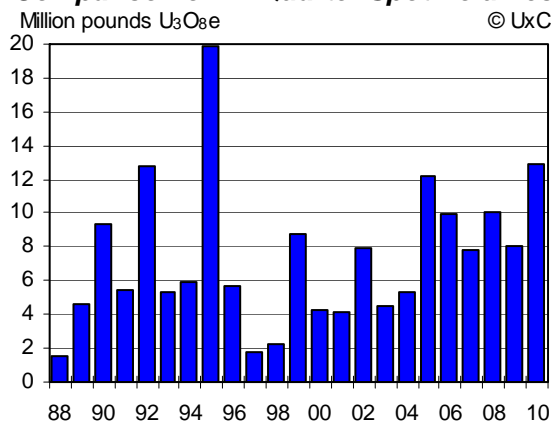


## First Quarter Spot U<sub>3</sub>O<sub>8</sub> Review

During the first part of this year's first quarter, a number of participants noted on more than one occasion that spot market activity was very thin. And, from different individual perspectives, the market probably did appear relatively quiet. However, as price fell, the number of participants that were tracking the market increased and the resulting buying activity contributed to above average spot volumes. While there also appeared to be no specific spot sellers pushing material into the market, available spot supplies were more than ample for whatever demand was present. This contributed to downward price pressures that were felt for most of the quarter, although the \$40 price market once again represented a price support level. Below are some of the highlights of last quarter's spot uranium market.

**Price** – For much of the past quarter, the spot price remained under downward pressure, but once again found support when it approached the low \$40s. The Ux U<sub>3</sub>O<sub>8</sub> Price started the quarter at \$44.50 per pound, and during January fell \$2 to end the month at \$42.50. The

### Comparison of 1<sup>st</sup> Quarter Spot Volumes



spot indicator continued to fall in February, hitting \$41.75 by the end of the month. As the spot price tested the \$40 level, the low point of the quarter was reported during the first week of March at \$40.50, with a small price bounce through the fourth week of the month to \$42.25, but the month ended the next week down a quarter at \$42.00.

Although the spot price fell only \$2.50 during the quarter, week-to-week price movements totaled \$6 for the quarter. Price declines made up \$4.25 of the overall movement with increases accounting for \$1.75 of the change. As shown in the chart at right, this has been one of the more stable quarters over the past several years, with the spot price moving a total of \$11 in the first quarter of 2009, \$21 in 2008, and \$23 in 2007. One potential reason for the relative stability is the reoccurring price support level at \$40, which was also tested several times in 2009.

**Volume** – A total of 56 spot transactions were reported as awarded during the first quarter involving 12.9 million pounds U<sub>3</sub>O<sub>8</sub> equivalent. As shown in the chart below, total spot volume for the first quart of 2010 has started at well above normal levels. With the exception of the record breaking 20 million pound quarter posted in 1995, this year has just surpassed the previous second place quarter in 1992 (which posted 12.7 million pounds U<sub>3</sub>O<sub>8</sub>e). Spot volume fell considerably at the end of 2009 from the peak in the

Ux U<sub>3</sub>O<sub>8</sub> Price: (4/26/10)

\$41.75 (+\$0.25)

Ux LT U<sub>3</sub>O<sub>8</sub> Price: (4/26/10)

\$58.00

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



second half of the year, and, as 2010 began, activity appeared to be muted. However, off-market activity resulted in a total of 4.8 million pounds U<sub>3</sub>O<sub>8</sub> being posted in January, followed by 3.3 million pounds U<sub>3</sub>O<sub>8</sub> in February, and another 4.8 million pounds U<sub>3</sub>O<sub>8</sub>e in March.

**Form** – U<sub>3</sub>O<sub>8</sub> remains the primary form of spot purchases accounting for just over 70% of the overall volume. During the first quarter, UF<sub>6</sub> made up the remaining 30% and there were no enriched uranium product (EUP) deals reported. This breakdown is almost identical to the quarterly averages during 2008 and 2009. It is a shift from the higher UF<sub>6</sub> volumes that were posted from 2004 to 2007 when U<sub>3</sub>O<sub>8</sub> was in shorter supply and buyers were turning to UF<sub>6</sub> for its uranium component.

**Method** – There are now fewer utilities that post widely distributed RFQs for spot purchases, and some that still go through the formal process try to keep it as low-key as possible. From the utility perspective, any additional demand that is seen on the market could be a source

of upward price pressure. While many participants speak about increased market transparency, few have been willing to contribute to it. Therefore, about 90% of current activity is classified as off-market. However, regardless of the approach, all activity ultimately impacts the market.

**Need** – During the second half of 2009, a higher percentage of demand was classified as discretionary with this category accounting for 90% and 95% of the quarterly volume, an increase over the first half-year average of 62%. As prices have continued to fall and test the \$40 level in the first quarter of 2010, a number of buyers that missed these levels in 2009 reentered the market to try to take advantage of these prices this time around. Purchases for actual needs increased slightly over the fourth quarter's 6% level, but remains only slightly above the 10% level.

**Buyers & Sellers** – From 1987 to 2003, utility quarterly purchase shares averaged about 63% of the overall volume. This level then fell to 35% from 2004 until early 2008. During the first quarter of 2010, utilities accounted for about 58% of the overall purchase volume, which is almost exactly the same percentage as in the first quarter of 2009, and right at the revised historical average of 57%. Utilities still represent the main buyers on the spot market, but producers, traders, and others now play

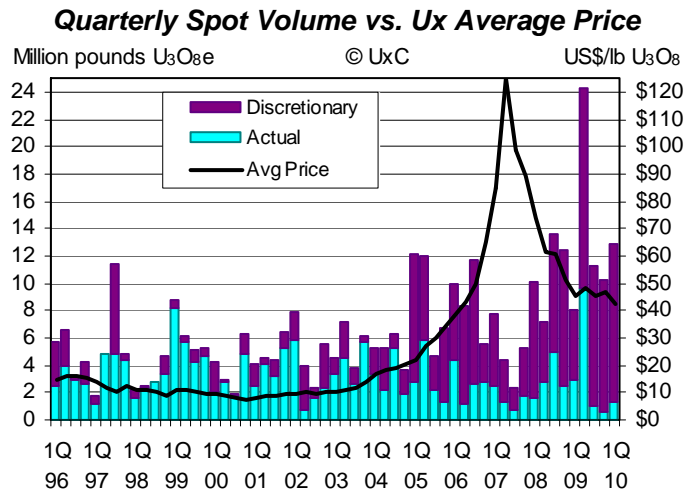
a slightly larger role than prior to 2004. On the seller's side, traders/others still represent the primary source of spot supply at almost three-quarters of the first quarter volume, with producers making up the remaining sales volume.

**Spot Outlook** – The second quarter has started somewhat slower than the first, although the first quarter also appeared to have a slow start. As a number of buyers have picked up material since the beginning of the year, several of these buyers may now be done for the year, unless of course the spot price were to fall to even lower levels. Discretionary buying has been the name of the game over the past year, and recent activity supports that trend. Looking at how discretionary buying could impact the market going forward depends on the price perceptions of those that would drive this type of demand. A growing number of participants content that the spot price is most likely going to stay in a relatively close band in the low \$40s over the next several months. Given this viewpoint that price is unlikely to increase much over current levels, then those that are looking at making discretionary-

type purchases have little incentive to buy-and-hold over the near term.

However, while the prominent view is that price will likely remain more stable over this period, the most common reason given for increased price volatility is a supply-related event. In this respect, market participants may want to keep track of any related supply incidents, such as the recent activity that is likely to keep the ore processing facility in Kyrgyzstan closed for the time being.

**UxC Spot Transaction Database**  
 UxC is very careful and conservative in its classification of booked spot awards. For example, UxC books back-to-back deals as a single three-entity entry in order to not double count (or inflate) volume. UxC also verifies its bookings and will hold off adding deals to its database either due to verification questions or to protect client confidentiality.



<b>Uranium Spot Market Statistics</b>																
(Million pounds U <sub>3</sub> O <sub>8</sub> equivalent)																
	2007					2008					2009					2010
	1Q	2Q	3Q	4Q	Yr.	1Q	2Q	3Q	4Q	Yr.	1Q	2Q	3Q	4Q	Yr.	1Q
<b>Total Volume</b>	7.8	4.3	2.4	5.3	19.8	10.1	7.2	13.6	12.4	43.3	8.0	24.3	11.2	10.2	53.8	12.9
# Transactions	25	26	15	39	105	44	50	61	62	217	28	83	55	59	225	55
Leadtime (mths)	2.8	2.8	3.1	2.5	2.7	2.1	1.8	2.6	1.4	2.0	2.8	3.2	2.3	2.2	2.7	1.9
<b>Form</b>																
U <sub>3</sub> O <sub>8</sub> Total	3.8	2.3	0.8	4.0	10.9	7.3	5.0	6.8	10.8	29.9	5.9	16.5	7.3	8.2	38.0	9.1
UF <sub>6</sub> Total	3.8	1.8	1.6	1.3	8.5	2.0	2.2	6.7	1.5	12.5	2.0	7.0	3.9	2.0	14.9	3.8
EUP Total	0.2	0.3	0.0	0.0	0.5	0.8	0.0	0.1	0.0	0.9	0.2	0.8	0.0	0.0	0.9	0.0
<b>Need</b>																
Actual	2.5	1.3	0.7	1.8	6.4	1.7	2.8	4.9	2.5	11.8	2.9	9.7	1.1	0.6	14.2	1.4
Discretionary	5.3	3.0	1.6	3.5	13.4	8.4	4.4	8.7	9.9	31.4	5.1	14.7	10.2	9.6	39.6	11.5
<b>Method</b>																
On-market	0.9	1.1	1.3	0.7	4.1	1.1	0.8	0.8	2.1	4.7	0.3	1.2	0.4	1.4	3.3	1.4
Off-market	6.9	3.2	1.0	4.6	15.8	9.0	6.4	12.8	10.3	38.5	7.7	23.2	10.8	8.8	50.6	11.5

# News Briefs

## **Finland grants approval for two of three reactor applications**

Finland's government has granted approval for Fennovoima and Teollisuuden Voima Oy (TVO) to move forward with their applications for new reactor projects. However, Fortum's application to build a new reactor at the Loviisa nuclear power plant was rejected. The decision must still be approved by the Parliament, which is expected to vote in favor of the two reactor projects in June.

TVO's plan calls for the construction of a fourth reactor at the Olkiluoto nuclear power plant. The utility is considering five possible reactor designs including the ABWR from Toshiba, the ESBWR from GE-Hitachi, the APR-1400 from South Korea, the APWR from Mitsubishi, and the EPR from AREVA. Fennovoima, which is a consortium owned by E.ON and several Finnish companies, plans to build a nuclear power plant with either one large reactor or two medium-sized reactors at one of two locations in northern Finland. Fennovoima is considering three reactor technologies: the EPR and SWR from AREVA, and the ABWR from Toshiba.

## **China starts construction on 23<sup>rd</sup> reactor**

On April 25, China began construction on Unit 1 at the Changjiang nuclear power plant project, which is under the ownership of the China National Nuclear Corporation (CNNC) consisting of two CNP-600 PWRs (a Chinese domestic design with 610 MWe net capacity), and located in the island province of Hainan. Changjiang Unit 2 is expected to start construction later this year. The operator of this new NPP is the Hainan Nuclear Power Co, which is a joint venture between CNNC and the China Huaneng Group with each one holding 51% and 49% of the shares, respectively. This is the third reactor to start construction in

China in 2010 after Ningde 3 and Taishan 2 began construction in January and early April, respectively. China appears on track to reach its official target of 70 GWe of nuclear capacity by 2020.

## **Construction on first 700 megawatt PHWR in India to begin in June**

Nuclear Power Corporation of India Ltd. (NPCIL) plans to begin construction on Unit 3 at the Kakrapar nuclear power plant in June. Excavation for the 700 megawatt pressurized heavy water reactor is now underway and is about 70 percent complete. The unit, which will be India's first indigenous PHWR that uses the nation's 700 megawatt design, is expected to begin commercial operation in 2015. India is also making preparations to build a second 700 megawatt PHWR along with another two 700 megawatt PHWRs at the Rajasthan nuclear power plant. All four units should be online by 2017.

## **UAE chooses location for nuclear power plant**

On April 22, the Emirates Nuclear Energy Corporation (ENEC), which is the owner and operator of the United Arab Emirates' (UAE) planned nuclear reactors, selected the site of Braka for the first nuclear power plant in the United Arab Emirates. The plant will have four South Korean APR-1400 reactors. ENEC filed two license applications and an environmental assessment report with the UAE Federal Authority for Nuclear Regulation. The documents filed inform that the preferred site for reactor construction is the Braka site located in the western region of the Emirate of Abu Dhabi near the border with Saudi Arabia.

The first license application is a "request for site preparation license" that would allow ENEC to begin site preparation activities that are not related to nuclear safety. The second license application is a "request for limited construction license to manufacture and

## **Industry Calendar**

- May 19-21, 2010  
**KazAtomExpo 2010**  
ITE Group Plc  
<http://www.powerexpo.kz/en/>  
Korme Exhibition Center  
Astana, Kazakhstan
- June 6-8, 2010  
**WNFM 37<sup>th</sup> Annual Meeting**  
World Nuclear Fuel Market  
<http://www.wnfm.com/>  
Hilton San Diego Resort  
San Diego, CA, USA
- June 7-9, 2010  
**AtomEXPO 2010**  
Rosatom  
<http://2010.atomexpo.ru/en>  
Manezh Central Exhibition Hall  
Moscow, Russia
- June 15-17, 2010  
**UxC Utility Nuclear Fuel Procurement Seminar**  
The Ux Consulting Company, LLC  
<http://www.uxc.com/>  
Westin Buckhead  
Atlanta, GA, USA
- June 16-17, 2010  
**AusIMM International Uranium Conference 2009**  
AusIMM  
<http://www.ausimm.com.au/uranium2010/>  
Adelaide Convention Center,  
Adelaide, Australia
- June 24-25, 2010  
**Nuclear Power Complex of Ukraine**  
NNEGC Energoatom  
<http://www.ukrenergatom.com/en/>  
President Hotel, Kyiv, Ukraine
- June 29-30, 2010  
**5<sup>th</sup> European Nuclear Power Platts**  
<http://www.platts.com/>  
Grange St. Paul's Hotel  
London, England
- June 29-30, 2010  
**Small Modular Reactors**  
Platts  
<http://www.platts.com/>  
Mandarin Oriental Hotel  
Washington, DC, USA

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

assemble nuclear safety related equipment" that would allow ENEC to begin manufacturing reactor components, such as reactor pressure vessels, steam

generators, coolant pumps, etc. The environmental report addresses the environmental impact of the project and other related issues. Finally, according to a tentative schedule, ENEC plans to submit a construction license application for the first two reactor units in late 2010, and begin construction of the first unit in late 2012 with the second unit following in late 2013. These two initial units should begin operating in the 2017-2018 period with the last two units commencing operation around 2019-2020.

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### ***Dummy fuel loaded into India's Kudankulam 1***

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On April 23, loading of dummy fuel began for Unit 1 at the Kudankulam nuclear power plant in Russia. The dummy fuel, which contains lead instead of uranium but is otherwise identical to actual nuclear fuel, will test the functioning of systems prior to the loading of nuclear fuel. Loading of all dummy fuel for Kudankulam 1 is expected to be completed in late May. In September, Nuclear Power Corporation of India Ltd. plans to load nuclear fuel into the reactor, and the unit is expected to begin generating electricity in December. Unit 2 at Kudankulam is expected to begin generating electricity in early 2010. In mid-2011, Russia could begin construction on another two 1,000 megawatt reactors at Kudankulam.

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### ***Enel signs MOU for possible investment in Kaliningrad NPP***

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In an April 26 press release, Italian utility Enel announced that it signed a memorandum of understanding with Russian firm Inter RAO UES for nuclear cooperation. As part of the agreement, Enel will consider potential participation in the construction of a nuclear power plant with two VVER 1200 reactors in the Russian enclave of Kaliningrad. Unit 1 at the Kaliningrad nuclear power plant is scheduled to begin operation in 2016, and Unit 2 is scheduled to begin operation in 2018. A sizeable portion of electricity from the plant will be exported to other nations.

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### ***CEO says TVA is likely to move forward with Bellefonte nuclear plant***

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Tennessee Valley Authority (TVA) CEO Tom Kilgore believes the utility will make a recommendation this August on whether to build a reactor at the Bellefonte nuclear power plant. The utility is considering three options: building a new Westinghouse AP1000 reactor, completing one of the two existing unfinished units at the site, or doing nothing. After a recommendation is issued by utility staff, the TVA's board of directors would then have the final say as to whether a reactor is built at Bellefonte.

Kilgore believes that TVA will move forward with building a reactor, but is unsure whether the utility will choose to complete an existing reactor or build a new AP1000. "We are not quite ready to choose between the two technologies. There are things we like about both the AP1000 and the older reactor," said Kilgore in a quote to *The Daily Sentinel*. If either option moves forward, construction could begin in late 2012 or early 2013. If TVA does decide to complete one of the two older reactors, Kilgore said that it may possibly build two newer AP1000 units at some point in the future.

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### ***Australia to ratify agreement to export uranium to Russia***

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Australia's Foreign Minister Stephen Smith stated April 23 that Australia will ratify a nuclear agreement allowing exports of uranium to Russia for energy purposes. "This will enable Australian uranium to be exported to the Russian Federation for civil, peaceful nuclear purposes," said Smith, according to an e-mailed transcript of a news conference on April 22 in Moscow with Russian Foreign Minister Sergey Lavrov. The agreement will strengthen cooperation on safeguards to protect exports as Australia and Russia "both stand firmly against terrorism and violent extremism," Smith said. Russia hopes ratification of "agreements on the peaceful use of nuclear energy" will be completed

"soon," said Lavrov.

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### ***Australia could consider waiver to sell uranium to India***

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With India making an entry into the global nuclear technology market on the back of the Indo-U.S. civilian nuclear agreement, the Australian government may now consider modifying its domestic rules to enable uranium export to India. Refusing to sell uranium to India, which can now import nuclear technology from the U.S. and gets uranium from Canada, is "illogical," said Julie Bishop, the Liberal-National party's foreign affairs spokeswoman to reporters in Sydney. The Liberal-National opposition, if elected in a national ballot to be held within a year, "will enter into negotiations with India to provide uranium sales to that country to support its efforts to embrace nuclear power," said Bishop.

South Australia's special envoy to India, Brian Hayes, who is leading a nine-member mining mission from Australia until April 27, told reporters that investment from India in uranium mining was welcome, but export of uranium from Australia to India, which is not a signatory to the nuclear non-proliferation treaty (NPT), was not possible even for a civil nuclear project. However, Hayes said that policy review should not be ruled out. "In case of the 123 agreement between India and the U.S., the Australian Government pledged support. It indicated the review of the current policy of supply of uranium to non-signatory to NPT some time in future might not be ruled out," he added.

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### ***Kazatomprom releases production results for Q1 2010***

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The announced results of Kazatomprom's activities for the first quarter of 2010 indicate that uranium production in Kazakhstan (which includes production by Kazatomprom and its joint venture partners) amounted to 4,060 tU (~10.56 million pounds U<sub>3</sub>O<sub>8</sub>). The production numbers indicate an increase of 63% compared to the first quarter of the pre-



vious year. In 2009, Kazakhstan became the world leader in uranium production, producing an estimated 36.45 million pounds  $U_3O_8$  (~14,000 tU).

According to Kazatomprom, most of its enterprises increased their production. An increase in production was also achieved due to the start of uranium mining by the Kyzylkum and Baiken-U JVs. The two companies operate the North Kharasan 1 and 2 deposits, respectively. North Kharasan 1 will eventually have a production capacity of 3,000 tU (~7.8 million pounds  $U_3O_8$ ), while North Kharasan 2 (Baiken-U LLP) will have a capacity of 2,000 tU (~5.2 million pounds  $U_3O_8$ ). Kazatomprom partners in both North Kharasan deposits, including a group of Japanese companies that hold a 40% stake. Uranium One has a 30% interest in the North Kharasan 1 (Kyzylkum LLP) deposit.

Furthermore, JV Akbastau, in which Kazatomprom's partner is ARMZ, began pilot production. Akbastau operates Budenovskoye 1, 3, and 4 with estimated resources of 25,100 tU (~65 million pounds  $U_3O_8$ ). The mine is expected to reach a target nominal capacity of 3,000 tU (~7.8 million pounds  $U_3O_8$ ) per year by 2015.

Preparatory work continued at the Inkai deposit, which is operated by the Inkai Joint Venture (60% Cameco and 40% Kazatomprom). The JV is expected to ramp up to full production capacity of 5.2 million pounds  $U_3O_8$  by 2014. In the second quarter, it is expected that the satellite plant at Inkai Block 2 will be commissioned. Plans for the next three months also include expansion of pilot production at the Budenovskoye 2 deposit, which is operated by the Karatau JV (Kazatomprom and Uranium One).

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### ***BHP's Olympic Dam production falls 74% from last quarter***

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Uranium production from BHP Billiton's Olympic Dam mine in South Australia fell 74% to 89 t UOC (~194,000 pounds  $U_3O_8$ ) for the March 2010 quarter from

the December 2009 quarter. Production for the recent quarter fell 90% compared to the same period a year ago.

The company has restarted works to bring output at the Clark Shaft to full capacity during the March quarter, and it expects to return to normal operation by the end of the June 2010 quarter. The Clark Shaft was damaged in October 2009 due to an ore haulage accident. Problems at Olympic Dam's Clark Shaft were also exacerbated in the recent quarter by a 30-day maintenance shutdown at Olympic Dam brought forward from November.

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### ***Paladin announces record quarterly production***

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On April 22, Paladin Energy Ltd announced it achieved record production of 1,157,375 pounds  $U_3O_8$  for the quarter ended March 31, 2010. At the Langer Heinrich mine in Namibia, Paladin recorded production for the March quarter of 928,370 pounds  $U_3O_8$ . This is above the mine's nameplate design of 925,000 pounds  $U_3O_8$  per quarter and an increase over the December quarter's total of 841,995 pounds  $U_3O_8$ . Paladin stated that all circuits of the processing plant are running at designed capacity, but the company is conducting research to increase production from the plant at lower unit costs by optimizing the Ion Exchange circuit. Paladin is also evaluating the feasibility of increasing the mine's water reservoir volume to prevent water supply disruptions.

Paladin's Stage 3 expansion program to increase annual production from the current 3.7 million pounds  $U_3O_8$  to 5.2 million pounds  $U_3O_8$  per year is progressing and Paladin says it is on track for commissioning of the Stage 3 expansion by the end of 2010. The company has completed 29% of the total work to increase production, and in the quarter began construction of the critical earthworks area and has awarded contracts for major long-lead equipment supply packages. In addition to the Stage 3 expansion program, Paladin also con-

ducted resource drilling to increase JORC compliant uranium reserves. A total of 36,000 meters of drilling has been planned to upgrade Langer Heinrich mine resources to expand annual production to 9 million pounds  $U_3O_8$  under a Stage 4 expansion. At the end of the quarter, 22,374 meters of drilling was completed. Investigations are continuing into process options for treatment of low grade material that could yield a further 1 million pounds  $U_3O_8$  per year under the Stage 4 expansion.

At Paladin's Kayelekera mine in Malawi, the company realized improved production from continued plant debottlenecking and more efficient material handling. Production for the March quarter totaled 228,996 pounds  $U_3O_8$ . Paladin said that while production ramp-up from the mine was slower than initially forecasted, a steady improvement in performance has been realized especially since commissioning an outside consultant to aid the company in optimizing ramp-up. Paladin anticipates production of 150,000 pounds  $U_3O_8$  in the month of April to allow the company to achieve nameplate capacity in the June quarter.

At the Kayelekera process plant, newly fitted machines have aided in alleviating the bottlenecks noticed in the December quarter. Mechanical downtime of various circuits has improved significantly from past quarters. The uranium precipitation and packaging circuit of the plant is operating at satisfactory levels. However, Paladin admits that the drying circuit needs to be improved to maintain throughput once nameplate production is achieved.

During the quarter, Paladin continued to conduct exploration drilling on the Kayelekera orebody to the west of the current pit to upgrade resources. Measured and indicated resources at Kayelekera now stand at 38.8 million pounds  $U_3O_8$ , with a further 7.57 million pounds  $U_3O_8$  in the inferred category. The company expects to commence the final phase of drilling at the deposit in July,

which will allow the company to provide a final reserve update.

During the March quarter, Paladin reported sales of 1,043,000 pounds U<sub>3</sub>O<sub>8</sub> generating revenue of US\$52.7 million, at an average sales price of US\$50.49 per pound U<sub>3</sub>O<sub>8</sub>. The company concluded a new medium-term contract for approximately 700,000 pounds U<sub>3</sub>O<sub>8</sub> for delivery in the 2011 to 2013 time period. This contract has undisclosed market prices that are subject to appropriate floor and ceiling price conditions.

### Denison announces drill results at Wheeler River

Denison Mines Corp. announced April 26 drill results from its 2010 winter drill program at the Wheeler River property's Phoenix uranium deposit. During the drilling campaign, 16 holes were drilled to a depth of 8,020 meters primarily on the Zone A target of the Phoenix deposit. Highlights from this round of drilling include: 3 meters grading 29.57% U<sub>3</sub>O<sub>8</sub>, 4 meters grading 44.0% U<sub>3</sub>O<sub>8</sub>, 3.5 meters grading 33.60% U<sub>3</sub>O<sub>8</sub>, and 2.4 meters grading 12.31% U<sub>3</sub>O<sub>8</sub>.

The Wheeler River property is located between the McArthur River mine and the Key Lake mill in the Athabasca Basin. Denison is the project's operator and holds a 60% interest in the property. Cameco holds a 30% interest, with JCU Exploration Company holding the re-

maining 10% interest in the property.

### Khan files claim in Mongolian court on Dornod project

On April 21, Khan Resources Inc. announced that its 58%-owned Mongolian joint venture subsidiary, Central Asian Uranium Company LLC (CAUC), has filed a formal claim in Mongolia's Administrative Court to challenge the legal basis for the notice received from the Mongolian Nuclear Energy Agency (NEA) purporting to invalidate CAUC's mining license 237A. In a story reported in last week's *Ux Weekly*, the NEA has invalidated Khan's mining licenses in Mongolia. Khan asserts that the license invalidations are illegal as the NEA has no legal authority to invalidate the company's license. CAUC is seeking declaration from the Court that the NEA's action to invalidate the licenses is, in fact, invalid. Khan's 100% owned Mongolian subsidiary, Khan Resources, is also in the process of preparing a similar claim against the NEA.

Khan has engaged high-ranking officials in Mongolia's government to aid in revoking the NEA's invalidations. The company recently wrote the Prime Minister of Mongolia, Sukhbaatar Batbold, formally requesting that he review and overturn the NEA's decision to invalidate Khan's licenses.

In the release, Khan addressed the

friendly take-over bid by CNNC Overseas Uranium Holding Ltd. to acquire the outstanding common shares of Khan at a price of C\$0.96 per share. Khan said that the offer is still open for acceptance and the CNNC offer has been extended until May 25 to allow CNNC more time to obtain the necessary approvals from the Government of China.

### Macusani completes Preliminary Economic Assessment for Colibri II/III property

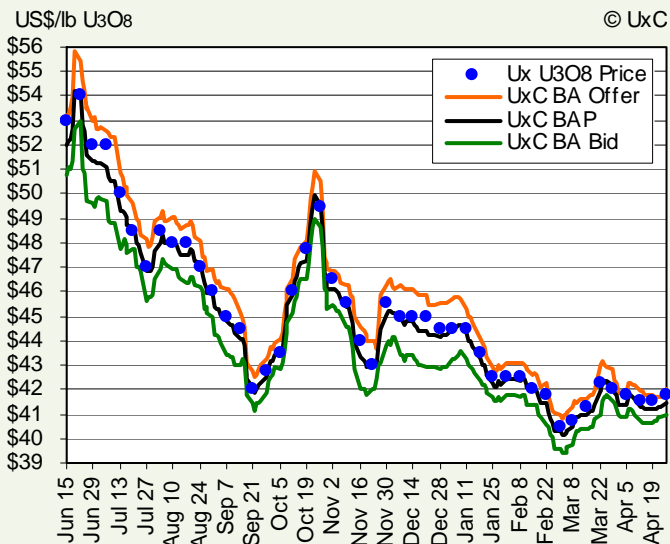
On April 26, Macusani Yellowcake Inc. completed a positive Preliminary Economic Assessment (PEA) for the Colibri II/III uranium deposit located on the Macusani Plateau, Puno in southeastern Peru. The PEA estimates initial capital costs at US\$147.9 million, with total capital costs estimated at \$162.2 million, including the initial capital costs and \$14.3 million of sustaining capital. Total operating costs are estimated at \$250 million or \$21.65 per pound of U<sub>3</sub>O<sub>8</sub>.

The study assumes an open pit/heap leach operation that would produce an average of 1.17 million pounds U<sub>3</sub>O<sub>8</sub> per year for ten years from 3.0 million tonnes of mineralized material per year assuming a head grade of 0.02% U<sub>3</sub>O<sub>8</sub> and a recovery rate of 89%. The uranium would be recovered from the leach solution using a continuous fixed bed ion exchange plant.

### UxC Broker Average Price (BAP) Definition

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

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# The Market

## Uranium Spot Market

While market activity has been light over the past month, several spot transactions were reported as awarded over the past week involving about 800,000 pounds U<sub>3</sub>O<sub>8</sub> equivalent. In addition, a non-U.S. utility is now evaluating spot offers for up to about 480,000 pounds U<sub>3</sub>O<sub>8</sub> equivalent (185,000 kgU as UF<sub>6</sub>). Over the past week, a few buyers met the seller's \$41.50 offers that have been reported over the past two weeks and concluded several deals at this level. As a result of active offers today, the Ux U<sub>3</sub>O<sub>8</sub> Price increases by a quarter this week to \$41.75 per pound; however, for the month, the indicator is down \$0.25.

Despite this activity, the market appears "range-bound" with deals trading in a narrow price range in the low \$40s. To the extent that much of the demand is discretionary – and it has been this way in the market for a while – this low price volatility is not exactly a call to action, and buyers are more likely to sit on the sidelines until something happens. That "something" could have been the Munich conference, which now has been cancelled, where there could

have been some discussions or at least theories as to where the market is heading that could have spurred some action.

The next major industry meeting is the World Nuclear Fuel Market conference, scheduled for early June, approximately six weeks from now. It is not beyond the realm of possibility that the market will remain in this narrow trading range until then, as there does not seem to be any sense of urgency on either the buy or sell side, as bids and offers have been relatively stable in recent weeks.

Another "something" that could spark market activity is a supply disruption (or perceived disruption) such as that stemming from the situation in Kyrgyzstan, which could impact uranium production. Some of the uranium mined in Kazakhstan is milled at Kara Balta in Kyrgyzstan, which experienced a coup d'état earlier this month and has disrupted commerce in that country. So far, the uranium market has not reacted to this development.

Ux Price Indicators (€Equip**)			
<b>Weekly (4/26/10)</b>		1 US\$ = .74835€	
<b>Ux U<sub>3</sub>O<sub>8</sub> Price</b>	<b>\$41.75</b>	<b>€31.24</b>	
<b>Mth-end (4/26/10)</b>		1 US\$ = .74835€	
<b>U<sub>3</sub>O<sub>8</sub></b>	Spot	<b>\$41.75</b>	<b>€31.24</b>
	Long-Term	<b>\$58.00</b>	<b>€43.40</b>
<b>Conversion</b>	NA Spot	<b>\$5.75</b>	<b>€4.30</b>
	NA Term	<b>\$11.00</b>	<b>€8.23</b>
	EU Spot	<b>\$7.50</b>	<b>€5.61</b>
	EU Term	<b>\$12.50</b>	<b>€9.35</b>
<b>U<sub>6</sub> Spot</b>	NA Price	<b>\$114.00</b>	<b>€85.31</b>
	NA Value*	<b>\$114.84</b>	<b>€85.93</b>
	EU Value*	<b>\$116.59</b>	<b>€87.24</b>
<b>SWU</b>	Spot	<b>\$152.00</b>	<b>€113.75</b>
	Long-Term	<b>\$157.00</b>	<b>€117.49</b>
<b>EUP</b>	NA Spot**	<b>\$2,121</b>	<b>€1,587</b>
	NA Term**	<b>\$2,639</b>	<b>€1,975</b>

cents on Thursday and another cent on Friday. The positive trend in the BAP continues with today's \$41.49, up \$0.21 from Friday's \$41.28, and up \$0.29 from last Monday's price of \$41.20. The BA Bid is \$41, up \$0.37 from Monday's \$40.63. The BA Offer is \$41.99, up \$0.21 from last week's \$41.78.

## UxC Broker Average Price

The UxC Broker Average Price (BAP) began the week up a very modest \$0.01 to Tuesday's \$41.21. It then held that level for a day before increasing six

## Broker Postings

Broker postings were up this week in terms of the brokers' best bids and offers. Tullett's best offer is posted at \$42 per pound, up \$0.25 from last week's \$41.75. MF Global's offer is a bit lower

UxC Market Statistics				
Monthly (Apr)	Spot		Term	
	Volume	# Deals	Volume	# Deals
<b>U<sub>3</sub>O<sub>8</sub>e</b> (million lbs)	1.8	11	W	1
<b>Conv.</b> (thousand kgU)	215	1	0	0
<b>SWU</b> (thousand SWU)	W	1	W	1
2010 Y-T-D	Spot		Term	
	Volume	# Deals	Volume	# Deals
<b>U<sub>3</sub>O<sub>8</sub>e</b> (million lbs)	14.7	67	W	4
<b>Conv.</b> (thousand kgU)	2,426	22	W	1
<b>SWU</b> (thousand SWU)	W	3	W	4

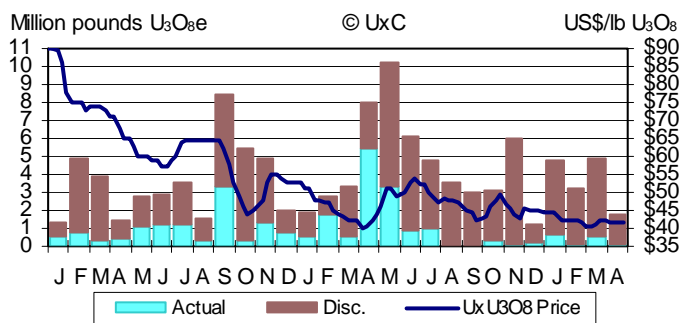
Key: N/A – Not available. W – Withheld due to client confidentiality.

## UxC Leading Price Indicators

Three-month forward looking price indicators, with publication delayed one month. Readings as of Mar 2010.

<b>Uranium</b> (Range: -17 to +17)	<b>-4</b> [unchanged]
<b>Conversion</b> (Range: -16 to +16)	<b>-2</b> [unchanged]
<b>Enrichment</b> (Range: -18 to +18)	<b>-2</b> [down 5 points]
<b>Platts Forward Uranium Indicator</b>	<b>\$40.75-\$42.25</b>
A forward one-week outlook.	As of 4/23/10 (US\$/lb)

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



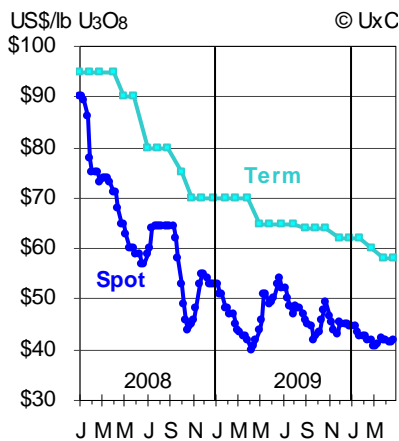
## Space Mountain

Our seven-year-old daughter was thrilled when we took her to Disney World for the first time and she headed straight for Space Mountain. I worried that the roller coaster would be too scary for her, but she insisted. To her delight, we rode it twice. The next year we returned to Magic Kingdom and my daughter, now eight, again dragged me to Space Mountain. As we stood in line, I could see her soberly studying the signs that warn about the ride's speed.

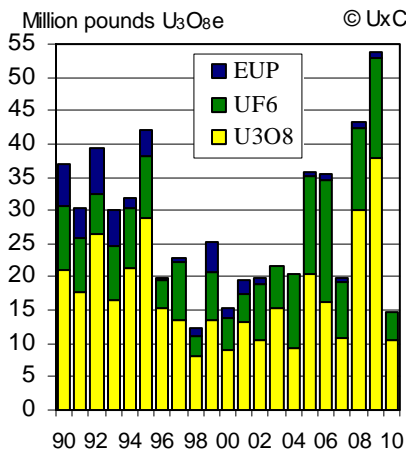
"Dad," she said, "I don't think I want to go." I asked her why she would be nervous when she had enjoyed herself last time. She replied, "This year I can read better!"



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



## Annual Spot Uranium Volumes



than Tullett's at \$41.90 per pound, up \$0.15 from last week's \$41.75. MF Global's offer is for May delivery and Tullett's is for delivery in June; both at ConverDyn. Both brokers' are showing bids at \$41 per pound. Tullett's bid is up \$0.25 from last week's \$40.75 and MF Global's bid is up \$0.75 from last week's \$40.25 per pound.

## Fund Implied Prices (FIP)

The Tullett Prebon Fund Implied Price (FIP) increased by \$0.43 this week to \$43.54 from last week's \$43.11. The MF Global FIP increased as well and is \$44.26, up \$1.42 for the week.

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

The CME Group futures market for uranium was inactive last week in terms of contracting activity and pricing fluctuations. There were no contracts traded during the week. Therefore total contracts for the month of April remain un-

changed from last week at 1,231 contracts (307,750 pounds U<sub>3</sub>O<sub>8</sub>). Total contracts for 2010 stands at 1,486 contracts (371,500 pounds U<sub>3</sub>O<sub>8</sub>). Open interest stands at 3,910 contracts (977,500 pounds U<sub>3</sub>O<sub>8</sub>). Prices witnessed little in terms of fluctuation during the week.

## Uranium Term Market

We discussed last week that several utilities were preparing to enter the term market. One non-U.S. utility has just released its term request for up to about 1.7 million pounds U<sub>3</sub>O<sub>8</sub> per year with deliveries spread over the 2012 to 2018 time period. Offers are due May 12<sup>th</sup>. Another non-U.S. utility should now be evaluating offers based on its request for up to 6.4 million pounds U<sub>3</sub>O<sub>8</sub> equivalent as either UF<sub>6</sub> or enriched uranium product (EUP) with delivery over the 2010 to 2014 time period. The utility will evaluate offers for any delivery volume and time period within the maximum quantity specification. Also, a non-utility buyer has an active term request with delivery covering the next three- to five-year period.

Activity on the term uranium market has been somewhat light over the past month with only one term contract award currently being reported for April. Price levels have remained fairly unchanged over the past month and continue to reflect a wide range of offers. Based on the most competitive offers available, the Ux Long-Term (LT) U<sub>3</sub>O<sub>8</sub> Price is unchanged for the month at \$58.00 per pound.

## Conversion

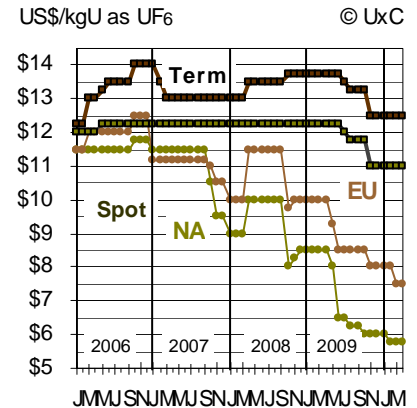
Activity on the conversion market has been lighter than average over the past month with no straight conversion transactions and only limited UF<sub>6</sub> activity reported. Deconversion opportunities remain; however, there have been fewer straight conversion spot offers made over the past month, mainly due to the lack of demand for this form. There has been some increase in activity for con-

version this year with a higher percentage of the volume in this form. Prices for deals booked over the past two months have ranged from the level of the current price indicator to slightly above. While some participants may use a lower price point to evaluate a conversion component in UF<sub>6</sub>, based on current information the spot Ux North American (NA) and European (EU) Conversion Prices remain unchanged at \$5.75 and \$7.50 per kgU, respectively. The term prices for both delivery markets also remain unchanged at \$11.00 (NA) and \$12.50 (EU) per kgU.

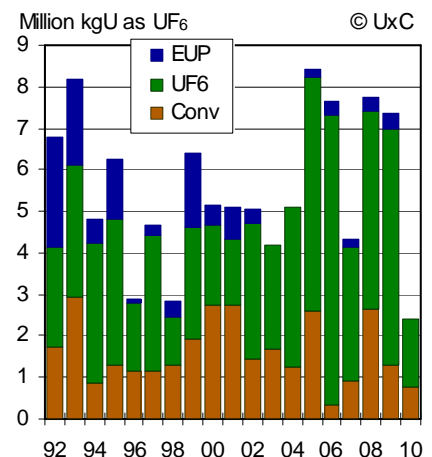
## UF<sub>6</sub>

Over the past month, UF<sub>6</sub> activity has slowed somewhat based on the number of awarded spot transactions. Also, the next round of DOE UF<sub>6</sub> material to be transferred to USEC is not expected to hit the market until next month. Slight price discounts remain in the market, and somewhat larger discounts have

## Ux Conversion Prices



## Annual Spot Conversion Volumes





been reported on offers that relate to material deemed as non-U.S. legal use. As U<sub>3</sub>O<sub>8</sub> offer prices have increased somewhat over the past two weeks, UF<sub>6</sub> offers have followed in step, increasing from their low point in the middle of the month to \$114.00 per kgU as posted today for the Ux North American (NA) UF<sub>6</sub> Price. This represents a slight discount off the Ux NA UF<sub>6</sub> Value of \$114.84 based on the component values.

### Enrichment & EUP

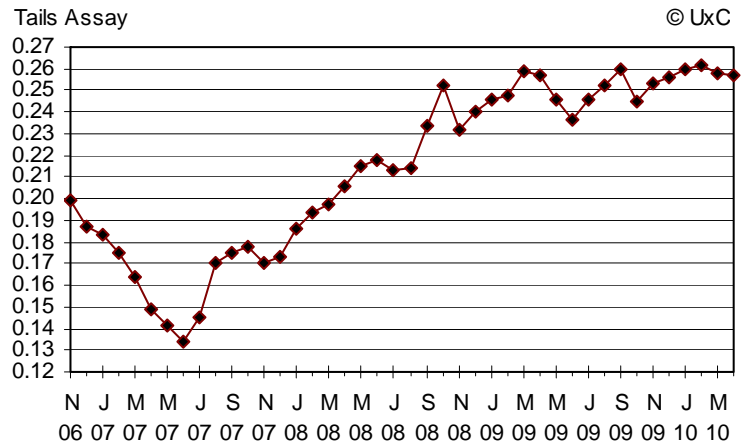
The enrichment market has remained fairly quiet over the past month; however, some activity is reported as a U.S. utility that was out for up to one million SWU with delivery starting in the 2012 or 2013 time period has made its decision, and some quiet spot activity also occurred. A non-U.S. utility is now evaluating term offers received last week for almost 1.7 million SWU contained in enrichment services or EUP with delivery in 2011-2016, although the utility will consider offers that provide partial quantities over various delivery years. Another U.S. utility is looking for enrichment services in conjunction with new reactor builds. Several others are also timing their market entrance.

With respect to recent activity and current offers available on the market, the spot Ux SWU Price declines another \$3 this month to \$152.00 per SWU. In the

term market, the Ux Long-Term (LT) SWU Price is unchanged for the month at \$157.00 per SWU. As discussed last month, more activity in the term market is shifting from mid-term needs to longer- or extended-term coverage; however, there continue to be several utilities seeking to cover the mid-term time period.

Based on the recent changes in the spot prices, with both uranium and enrichment decreasing, the optimal tails assay based on today's spot prices would be evaluated at 0.257%. This is a slight decline from last month's 0.258% and a further reduction from the peak of 0.262% set back in March. The decline in tails assay has been more a function of the recent decline in spot SWU prices. This type of trend could reverse itself because as SWU prices decrease, not only is spot SWU more attractive, the lower optimal tails assay would increase demand, both factors to increase volume, potentially leading to upward price pressure.

### Optimal Tails Assays Based on Spot Prices



### Calculated Enriched Uranium Product (EUP) Values at Various Tails Assays

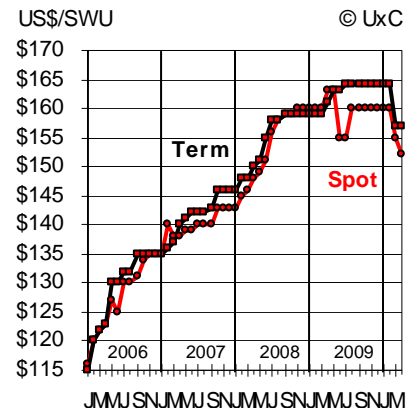
Current Optimal Tails: 0.257%

Tails	0.15%	0.20%	0.25%	0.30%	0.35%
FtoP	7.754	8.415	9.219	10.219	11.496
StoP	8.801	7.690	6.871	6.231	5.710
<b>EUP\$</b>	<b>\$2,228</b>	<b>\$2,135</b>	<b>\$2,103</b>	<b>\$2,121</b>	<b>\$2,188</b>

Calculations based on Ux spot indicators using a 4.50% product assay. FtoP: Feed to Product ratio. StoP: SWU to Product ratio.

EUP \$ = (US\$ per kgU of enriched UF<sub>6</sub>)  
 EUP \$ = (UF<sub>6</sub> Price \* FtoP) + (SWU Price \* StoP)

### Ux SWU Prices



### 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 (≤ 3 months), quantity (≥ 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 (≥ 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 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.

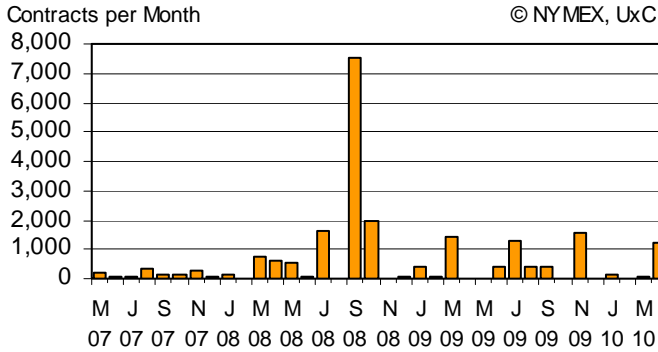
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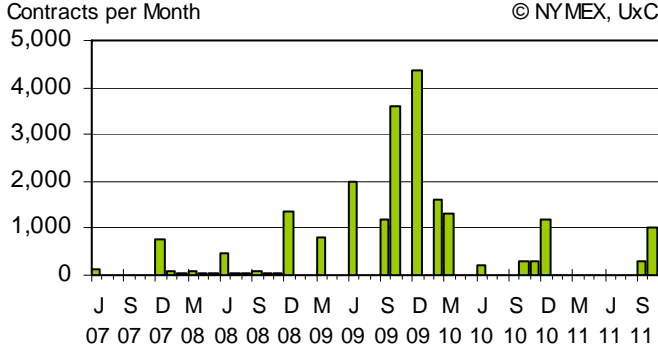
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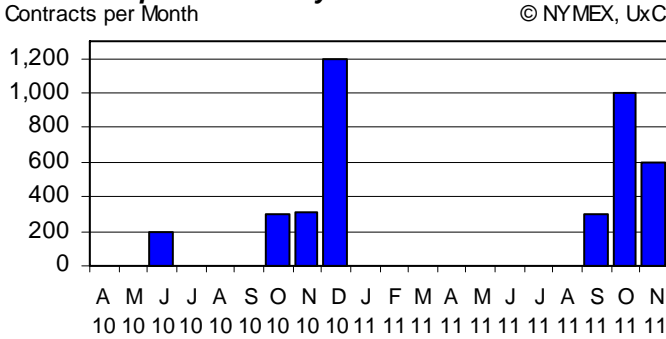
**NYMEX Ux Futures Activity**  
**Total Contracts by Transaction Month**



**Total Contracts by Settlement Month**



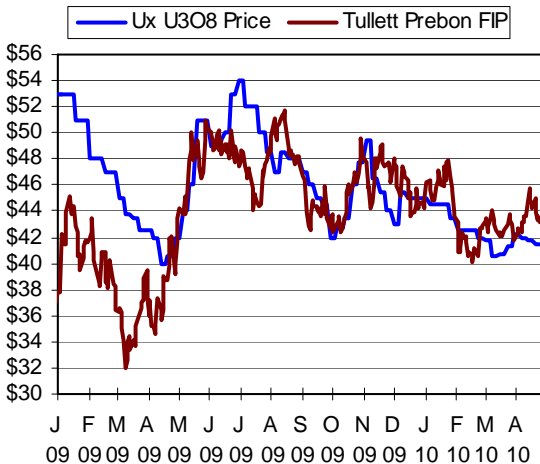
**Open Interest by Settlement Month**



**Fund Implied Price (FIP) 4/26/10**  
 (US\$/lb U<sub>3</sub>O<sub>8</sub>)

Tullett Prebon	MF Global
\$43.54	\$44.26

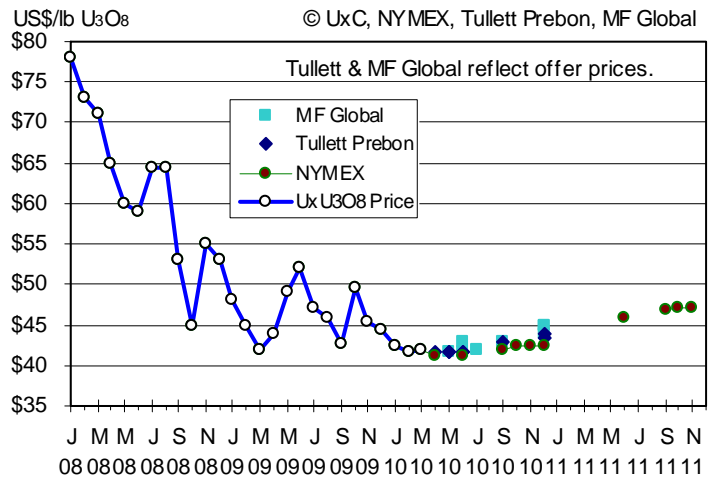
**Ux U<sub>3</sub>O<sub>8</sub> Price vs. Tullett Prebon FIP**



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

Prices as of 4/26/10		Activity for 5/7/07-4/23/10			
Settlement	Price	Volume	Open	High	Low
Oct 2008	\$45.00	40	N/A	\$117.00	\$70.00
Nov 2008	\$55.00	40	N/A	\$117.00	\$75.00
Dec 2008	\$53.00	1,352	N/A	\$117.00	\$42.00
Mar 2009	\$42.00	800	N/A	N/A	N/A
Jun 2009	\$52.00	2,002	N/A	\$67.00	\$48.00
Sep 2009	\$42.75	1,200	N/A	N/A	N/A
Oct 2009	\$49.50	3,600	N/A	N/A	N/A
Dec 2009	\$44.50	4,379	N/A	\$85.00	\$46.00
Jan 2010	\$42.50	2	N/A	N/A	N/A
Feb 2010	\$41.75	1,600	N/A	N/A	N/A
Mar 2010	\$42.00	1,300	N/A	N/A	N/A
Apr 2010	\$41.50	1	1	N/A	N/A
Jun 2010	\$41.50	201	201	N/A	N/A
Oct 2010	\$42.25	300	300	N/A	N/A
Nov 2010	\$42.50	310	310	N/A	N/A
Dec 2010	\$42.75	1,199	1,198	N/A	N/A
Sep 2011	\$45.27	300	300	N/A	N/A
Oct 2011	\$45.50	1,000	1,000	N/A	N/A
Nov 2011	\$45.50	600	600	N/A	N/A
<b>Totals:</b>		<b>22,017*</b>	<b>3,910</b>	*Includes from May 2007.	

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



**Tullett Prebon Physical Forwards Activity as of 4/26/10**

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

Delivery	USA-ConverDyn	Europe-Comurhex	Canada-Cameco
Apr 2010	/	/	/
May 2010	\$41.00 /	\$41.00 /	/
Jun 2010	\$41.00 / \$42.00	\$41.00 / \$42.25	/
3Q10	\$41.00 / \$43.25	/	/
4Q10	\$41.25 / \$44.00	\$41.00 /	/ \$44.00
1Q11	/	/	/
2Q11	\$41.50 /	/	/
3Q11	/	/	/
4Q11	/	/	/

**MF Global Physical Forwards Activity as of 4/26/10**

Delivery	USA-ConverDyn	Europe-Comurhex	Canada-Cameco
Apr 2010	/	/	/
May 2010	\$41.00 / \$41.90	/	/
Jun 2010	\$41.00 / \$42.00	/	/
3Q10	/ \$42.00	/ \$43.00	/
4Q10	/ \$44.00	\$41.00 / \$44.00	\$41.00 /
1Q11	/	/	/
2Q11	/	/	/
3Q11	/	/	/
4Q11	/	/	/