

NEWS RELEASE

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Bloomberg Reports of Falling Uranium Market Prices After 2013?

A Response from M. D. Campbell and Associates, L.P., Houston and Seattle

The C&A Mining Group has evaluated the statements made by Angela Macdonald-Smith of Macquarie Bank Ltd., Australia's biggest securities firm in a recent article entitled: *Uranium May Reach \$200 in Two Years*, available in the following link:

(<http://www.bloomberg.com/apps/news?pid=20601072&sid=ameL3kcWKT5o&refer=energy>).

Although bullish through 2010, she speculates that spot-market prices will begin to fall as uranium production exceeds consumption. She claims that the price will fall to below \$50 per pound U₃O₈ by 2013. However, she provided no basis for this drop and ignores a number of factors that would clearly support higher prices for a number of years well beyond 2020, such as:

- We have concluded that her report rings hollow based on apparent long-term market conditions, and that she may have been influenced by the major Australian uranium producers (in concert with the large Canadian producers) in claiming that prices are likely to fall after 2013 for the purpose of inhibiting investment in new uranium production, which in turn would tend to protect the large producers and support higher prices over the long term. This would be a return to cartel conditions exerted by the major Canadian and Australian producers while the prices were low during the 1980s through 2005, and for as long as their high-grade, high tonnage deposits can be produced at prices below those of American producers using in-situ recovery (ISR) methods of uranium production.
- Based on the resurgence of nuclear power in the U.S. and around the world, especially in China and the expansion in the U.S., Japan, and elsewhere, the need for nuclear fuel will continue to rise well past 2020. This will drive exploration to meet production needs and the prices will reflect the free-market conditions existing between nuclear power utilities and the uranium producers well past 2020.
- Because many of the uranium exploration companies are funded by Canadian, American, and European public companies, their reported reserves are likely inflated estimates of recoverable U₃O₈, which, if found to be a widespread condition, would combine to decrease production and thereby keep demand and spot prices high, i.e., above \$90/pound U₃O₈ well past 2020.

Based on the three factors discussed above, we conclude that any precipitous fall below \$50/pound would appear to be without foundation. This is supported by *TradeTech* 6/2/07 increases of the long-

term price to \$95/pound and Cameco Corporations' 5/23/07 estimate of a long-term price of \$85/pound. We see spot-market uranium prices fluctuating between \$80 and \$100/pound well past 2020.

We would anticipate uranium spot prices to increase when:

- New nuclear plant construction projects are announced and the plants have not arranged for fuel for their first 5 years of operation,
- News of global warming continues to grow more serious and convinces more to support accelerated construction of nuclear power plants worldwide,
- The accuracy of uranium reserve estimates by one or more public companies come under serious challenge, and / or
- New uranium deposits are not discovered or put into production at the rate anticipated to meet demand from utility companies.

We would expect decreases in uranium spot prices when:

- A number of large uranium discoveries are announced in the world,
- A series of large-capacity mines come into production,
- Permitting or construction plans for new nuclear plants are slowed because public support wanes,
- A major nuclear plant has a serious accident in the world somewhere, or
- After 2020, international fuel recycling comes on line, if then.

We see the need for nuclear power expansion is so strong that public concerns for climate change will trump all serious challenges to new nuclear power plant construction¹. Public concerns regarding nuclear waste handling will also diminish as confidence returns regarding safety issues. We expect that minor accidents are bound to occur in nuclear plants from time to time somewhere in the world but the public will place these into the proper perspective this time². We do anticipate fluctuations in the uranium market price but at or above the \$90/pound level for the foreseeable future past 2020.

¹ See Campbell, M. D., *et al.*, 2007, Nuclear Power: Winds of Change, Report of the Uranium Committee, Energy Minerals Division, AAPG • March 31, [<http://www.mdcampbell.com/EMDUraniumCommitteeReport033107FINAL.pdf>].

² See Campbell, M. D., *et al.*, 2005, Recent Uranium Industry Developments, Exploration, Mining and Environmental Programs in the U.S. and Overseas, Report of the Uranium Committee, Energy Minerals Division, AAPG • March 25, [<http://www.mdcampbell.com/EMDUraniumCommittee2005Report.pdf>].

³ For Additional information on C&A's Mining Group, see: <http://mdcampbell.com/personnel2.asp>