

NEWS RELEASE

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“Steady Rise of Yellowcake Price Projected by C&A to Reach \$115 by 2016”

The C&A Mining Group and affiliated associates have been monitoring the uranium industry since 2004 when nuclear power began to re-emerge in the U.S. energy picture. In a previous [News Release](#)¹ dated June 14, 2007, released when the 2007 price peaked at around \$138/pound, C&A suggested that the yellowcake spot price would settle into a range between \$80 and \$100/pound well past 2020. Based on recent information, C&A has raised price expectations through 2016. The reasons for this change are based on eight recently identified factors and on the history of the price of yellowcake (or equivalent), see Figure 1:

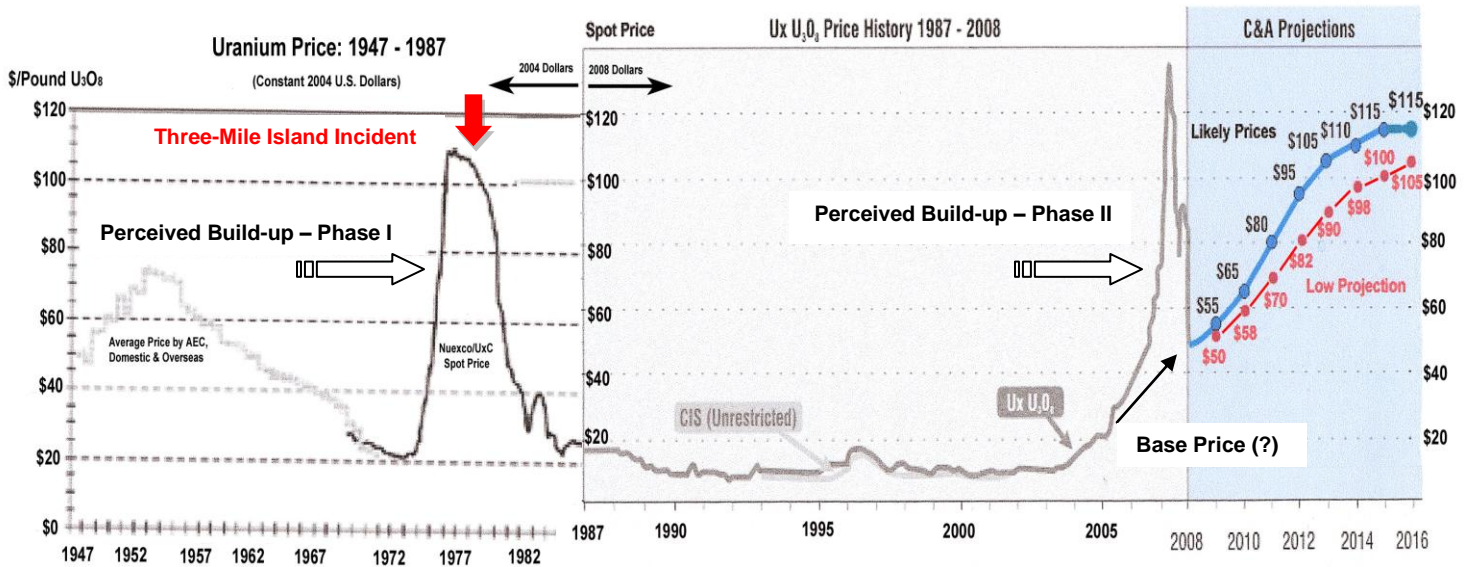


Figure 1 – Historical Price of Yellowcake (1947 – 2008) w/ Projections through 2016

In reviewing the trends shown in Figure 1, of particular note are the rapid increases in price of the 1970s from \$20 per pound to about \$115 (in 2004 U.S. Dollars) that illustrate the perceived build-up of demand resulting from expanding nuclear power plant construction in the U.S. and around the World (Phase I). This increase was quickly followed 3 years later by the Three-Mile

Island Incident that the news media promptly panicked the American people, industry, and politicians as well into halting construction of nuclear power plants in the U.S. and ending the associated uranium exploration and mining for the next 25 years in the U.S. This allowed Canada and Australia to form an effective cartel in keeping prices low in supplying some 100 reactors in the U.S. and more than 300 reactors with fuel during the 1980s, 1990s and into the early 21st Century which together inhibited yellowcake production from new mines. Fuel price makes up less than 11% of the total operating cost of a nuclear power plant, and if the price were increased by 100%, this would result in an increase of the cost of the electricity produced by only about 10%, far less than all other fuels.⁶

Yellowcake prices again began to rise in 2005 as problems in the Middle East and Africa increased and as the impact of concerns over the potential impact of climate change came under serious consideration by Energy planners. They began to take a second look at nuclear power (Phase II) and new applications for construction began to accumulate to create the 2007 price spike. Most of the factors causing the spike have now dissipated.

Based on C&A evaluations, however, the impact of eight factors that remain will combine to support a steady rise in likely yellowcake prices through 2016 (within a 10% range) from a base price rise in 2005 to 2008. The projected price trend bypasses the 2007 run-up of prices in a Phase II of the typical reaction to a perceived build-up of nuclear power plant construction and expansion of operations (see Figure 1).

The eight factors that will combine to guide prices upward in a regular trend are as follows:

- 1) The World's Economy has identified nuclear power as the best source of electricity:
 - China has 12 reactors, and plans to build 30 more in the next 15 years (by 2024).
 - India plans to build 20 reactors within the next 20 years (by 2029).
 - Japan is planning another 10 reactors within the next 10 years (2019).

- Russia is planning to have 15 reactors built within the next 6 years (by 2015).
 - The U.S. has 104 reactors and has plans for 19 more (by 2020), which would increase electrical production by more than 30%.
 - The World Nuclear Association⁵ suggests that by 2015 a new nuclear reactor will start-up every 5 days.
- 2) The World's Economy may decrease and defer coal plant construction if nuclear power plant construction can be maintained over the next 10 years.
 - 3) Alternative energy projects involving wind and solar power will decrease in the present uncertain World Economy although long-term growth of such projects in the western U.S can be expected.
 - 4) Cameco's Cigar Lake mine, which has supplied about 10% of the World's yellowcake market, has flooded for the second time in two years. This time the cause of the failure, as with the previous one, is due a lack of understanding of the hydrogeology of the mine area, and may not be solvable.
 - 5) The World's population is rising while perceptions of World oil reserves are declining. The World's largest economies have also begun to respond to perceptions of climate change and the need to decrease industrial gases and other contaminants produced by coal, oil and natural gas.
 - 6) Yellowcake production is in great need throughout the World. The general impression in the nuclear power industry is that uranium will soon be in short supply, partially because the "Megatons to Megawatts" program supplied by Russian nuclear warheads as part of the 1987 U.S.-Russia disarmament agreement will be completed sooner than expected.
 - 7) Uranium exploration is well advanced in the World and new supplies can be expected over the decade ahead. Interest in thorium reactors is growing and thorium exploration has already begun on Earth as well as on the Moon (see Campbell, *et al.*, 2008²).
 - 8) The subject of recycling and construction of the new Type IV reactors are now on the planning boards.

Therefore, all of the above would result in steady increases in yellowcake prices at least to 2016 because the existing and new reactors will need to be fueled.

For additional information on the state of the nuclear fuels industry, see the reports below^{3 and 4}
or contact:

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- ¹ See C&A News Release, 2007, "Bloomberg Reports of Falling Uranium Market Prices After 2013," Accessed Internet December 8, 2008 via: [<http://mdcampbell.com/BloombergEvaluation061407.pdf>].
- ² See Campbell, M. D., *et al.*, 2008, "The Nature and Extent of Uranium Reserves and Resources and their Environmental Development in the U.S. and Overseas," *Proc. Conference of the American Association of Petroleum Geologists (AAPG), Energy Minerals Division*, April 23, San Antonio, Texas, 14 p. Accessed Internet July 26, 2008 via: [<http://www.mdcampbell.com/AAPGEMDSanAntonio2008Final.pdf>].
- ³ 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>].
- ⁴ 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>].
- ⁵ World Nuclear Association, 2008, "Plans for New Nuclear Reactors Worldwide," Accessed Internet December 8, 2008 via: [<http://www.world-nuclear.org/info/inf17.html>].
- ⁶ World Nuclear Association, 2008, "The Economics of Nuclear Power," August, 15 p., Accessed Internet December 8, 2008 via: [<http://www.mdcampbell.com/EconomicsNP.pdf>].

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