The Reality of the Uranium Market

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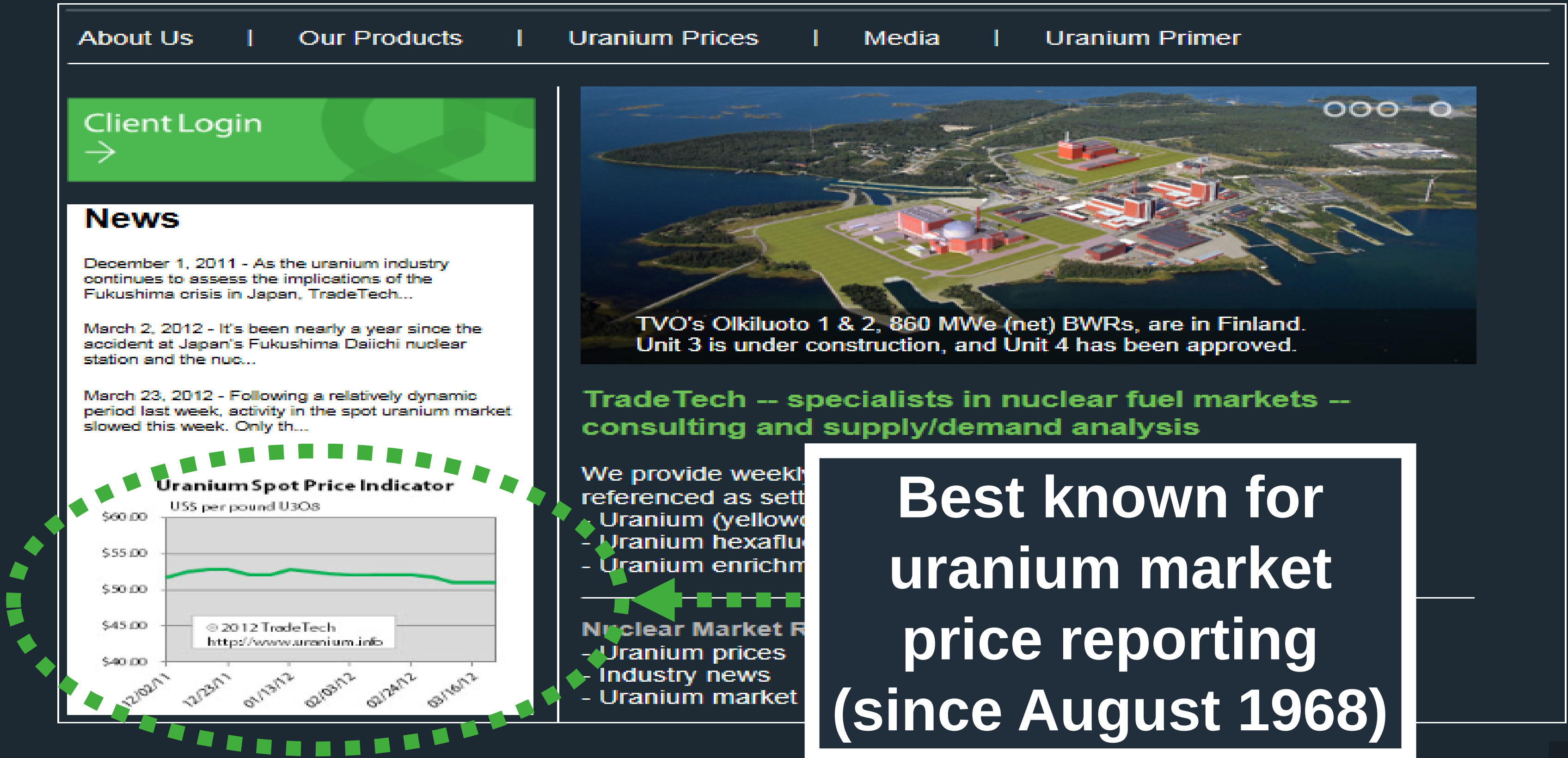
Treva Klingbiel, President

MINExpo International 2012

TradeTech Website



Best known for uranium market price reporting (since August 1968)

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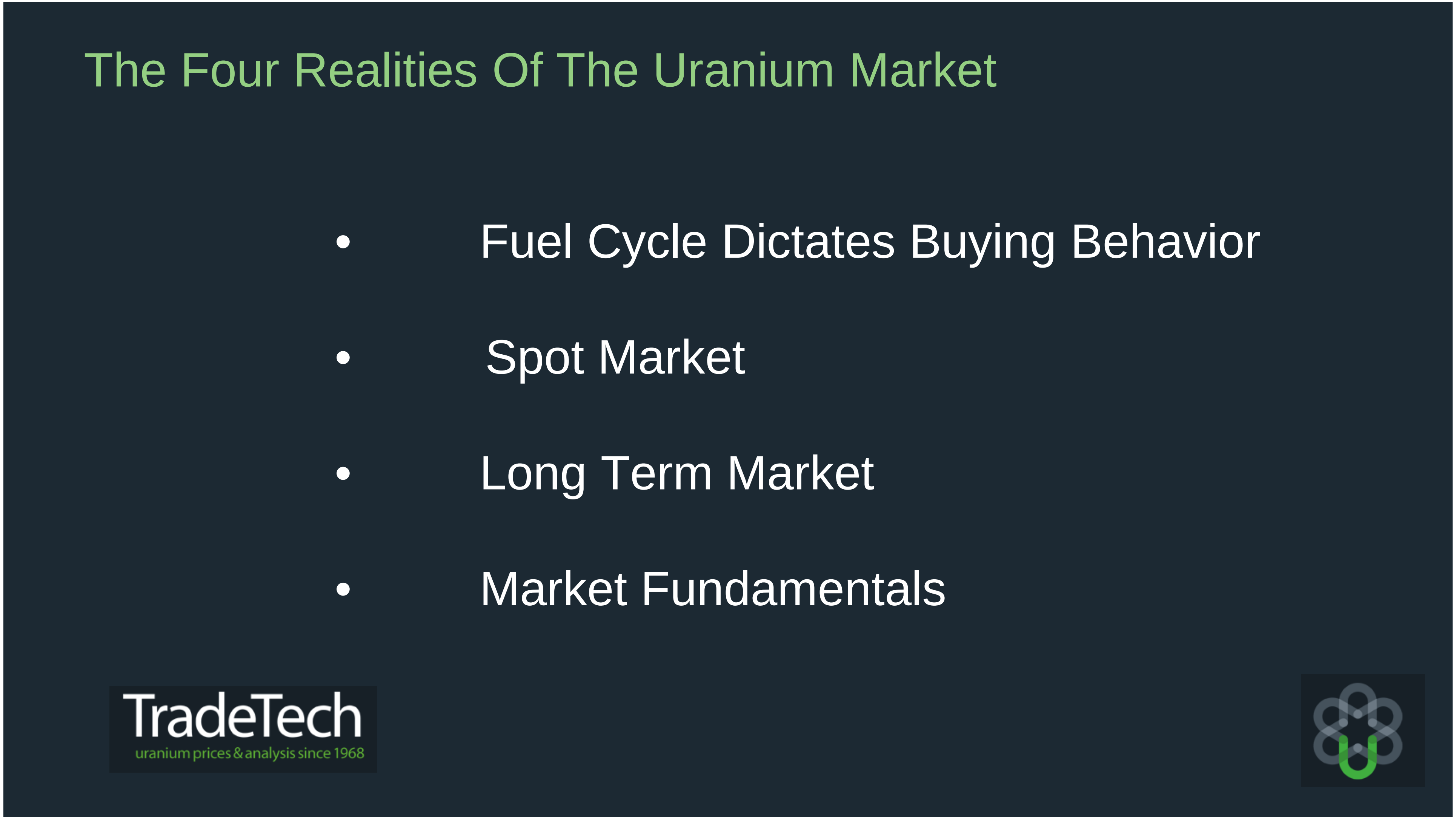
TradeTech's Business Activities

Specializing in the front-end of the nuclear fuel cycle

- **Market Analysis and Daily, Weekly and Monthly Price indicators.**
- **TradeTech's Monthly Exchange Value is longest running prices series – in publication since 1968**
- **Quarterly Market Study : Projections of Supply/Demand/Price**
- **Specialized Consulting (e.g., procurement and contracting, competitor analysis)**

The leading independent source of uranium market information


The Four Realities Of The Uranium Market
• Fuel Cycle Dictates Buying Behavior
• Spot Market
• Long Term Market
• Market Fundamentals
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How Does the Uranium Market Work?

- Has been described as a very immature market, and is definitely a *boutique* market
- No open exchange like London Metals Exchange
- Market reporters, like TradeTech, publish price *indicators*

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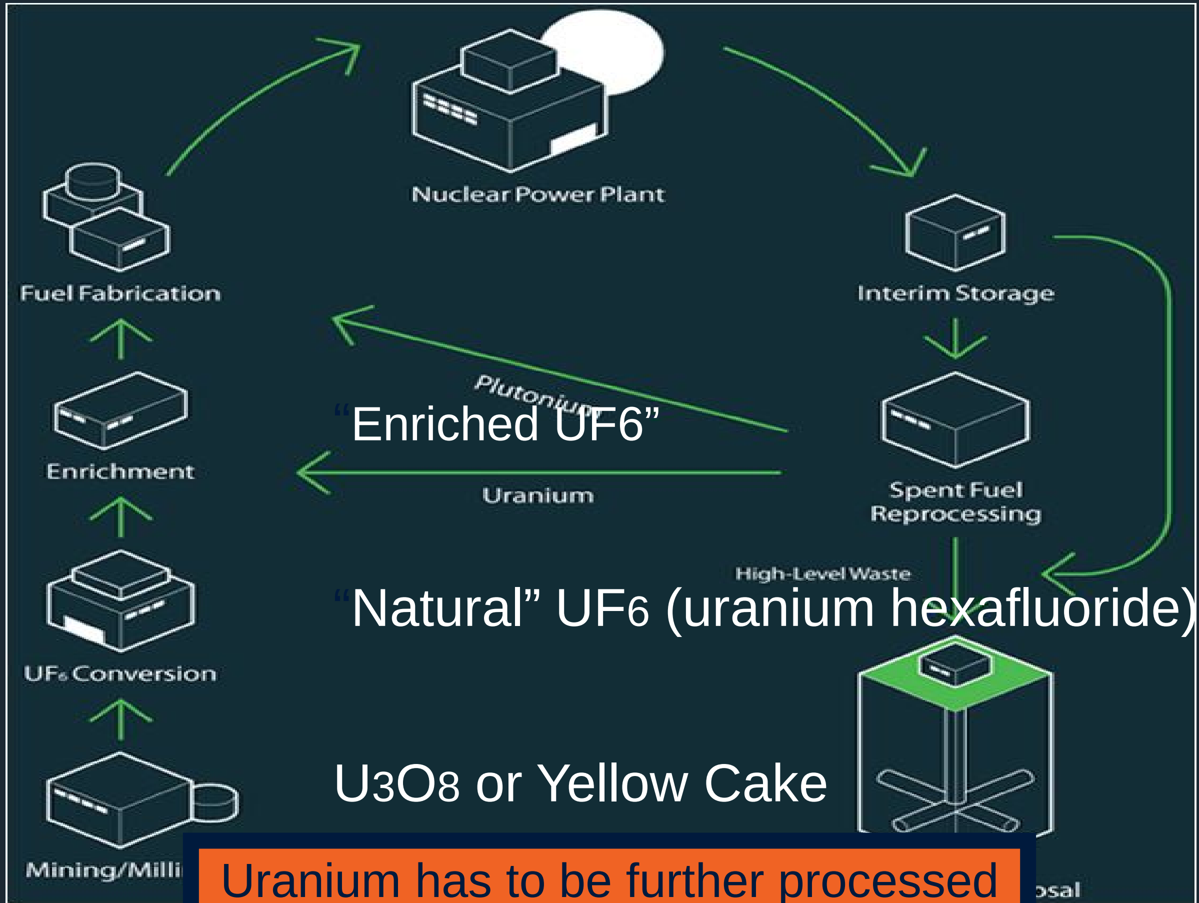
Uranium Processing



“Enriched UF6”

“Natural” UF6 (uranium hexafluoride)

U_3O_8 or Yellow Cake

Uranium has to be further processed to become nuclear fuel.

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Reality 1

The Nature of the Nuclear Fuel Cycle Dictates That Utilities Procure Uranium Far in Advance of Actual Loading into Reactor

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Current Uranium Supply Sources and Markets

2011	Primary Supply = 75%	Secondary Supply = 25%
Spot Market = 15%	7%	8%
Long-Term Market = 85%	68%	17%

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Reality 2
Spot Prices are not linked to Production Costs

The Dynamic Pricing Model
An econometric approach to spot price forecasting

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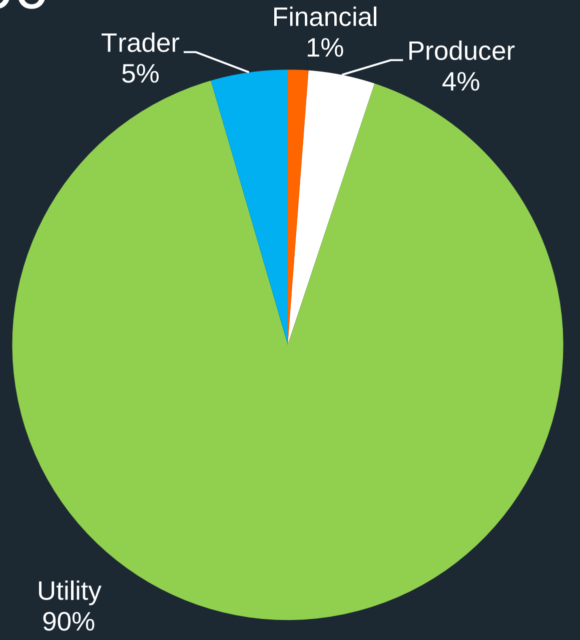
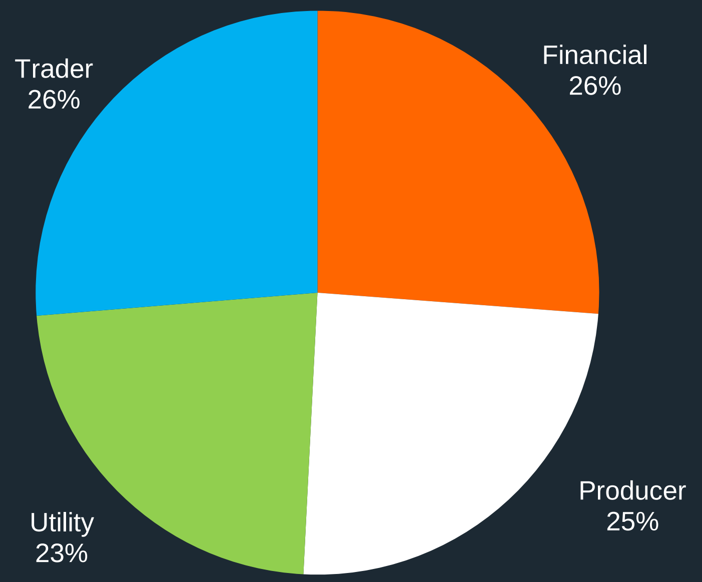
Changing Spot Market (Buyer Breakdown)

2000



Current



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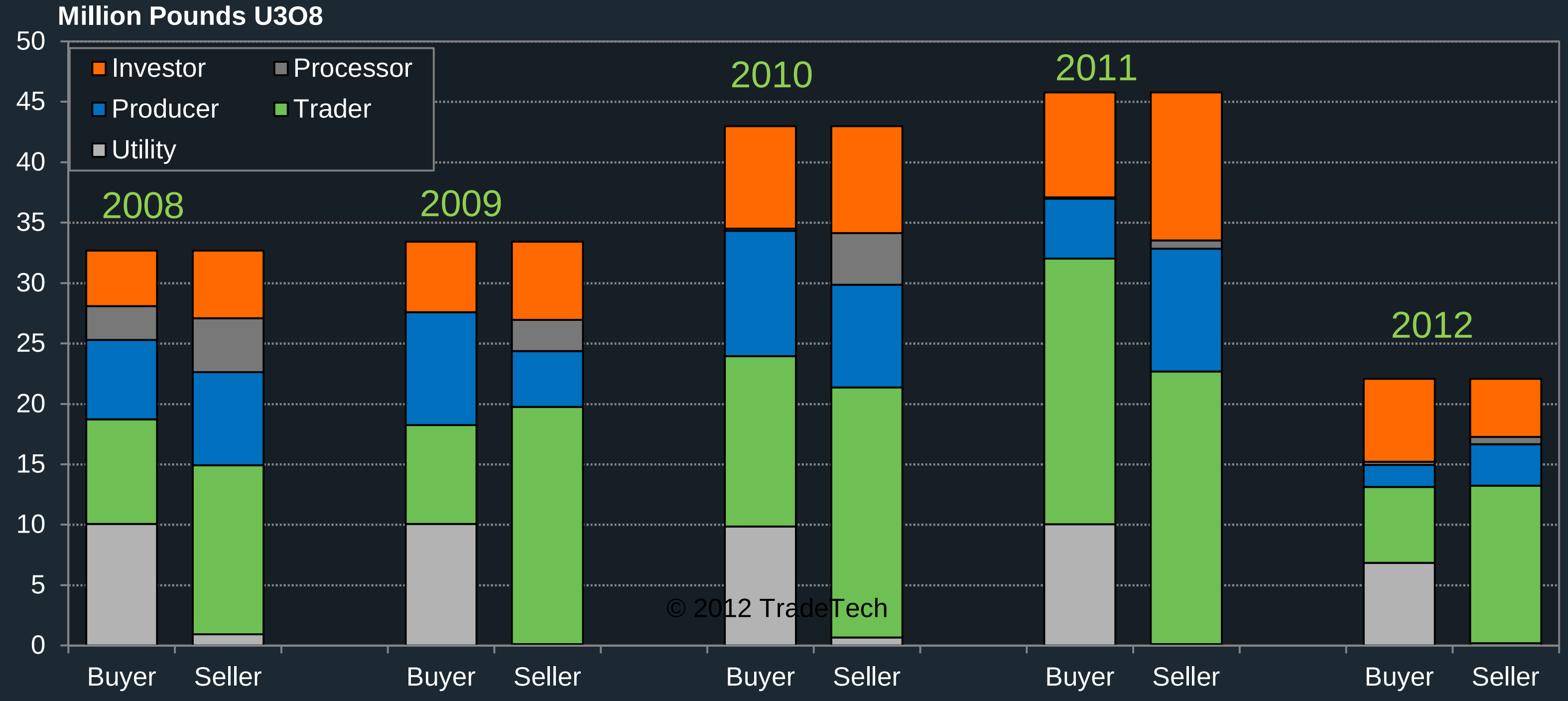
Spot Volume By Buyer/Seller Type



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- *Investors/speculators were net sellers in 2008, for the first time*

The Spot Market Characteristics

- More perception driven than 10 years ago.
- Some correlation to outside markets.
- Although still not efficient, increased liquidity has led to increased potential for volatility.
- Less driven by clearing price fundamentals.

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The Dynamic Pricing Model

- Based on 3 variables that TradeTech has published since 1968.

  Active Demand, Active Supply and Spot Price.

- The historic correlation is defined by an algorithm.

- TradeTech utilizes its awareness of the market to forecast AS and AD over the forward 24 months, and future prices are calculated.

  TradeTech's neutrality aids access to information.

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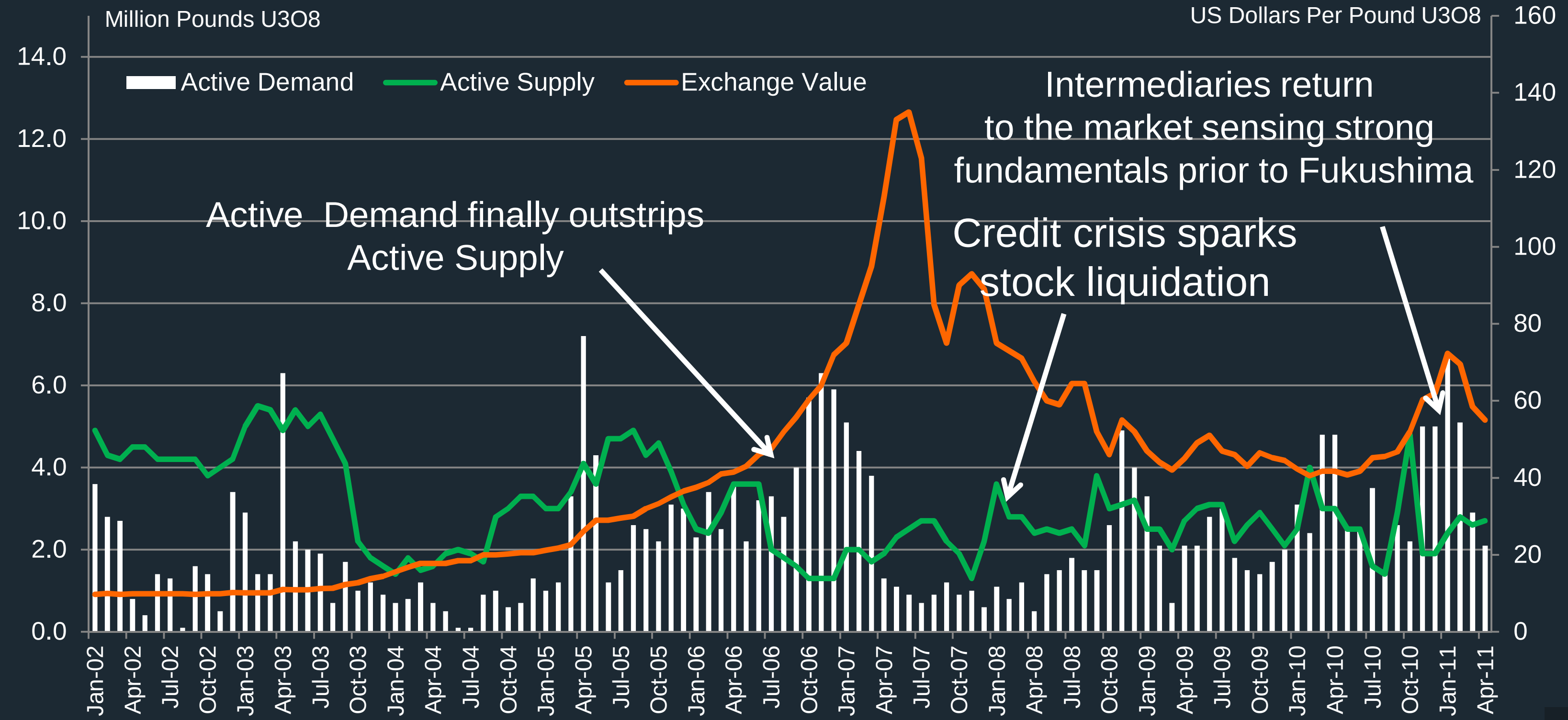
The Historic AS/AD/ Price Relationship



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DPM Characteristics

- 2 years of historic data is used to forecast 2 years forward.

- The model is continually optimised to generate the closest possible correlation. For example:

i) It calculates the relative sensitivity to changes in demand versus changes in supply.

ii) A quadratic function exists to provide a multiplier effect to reflect market exuberance when price movement is marked.

iii) Price resistance levels are also built in.

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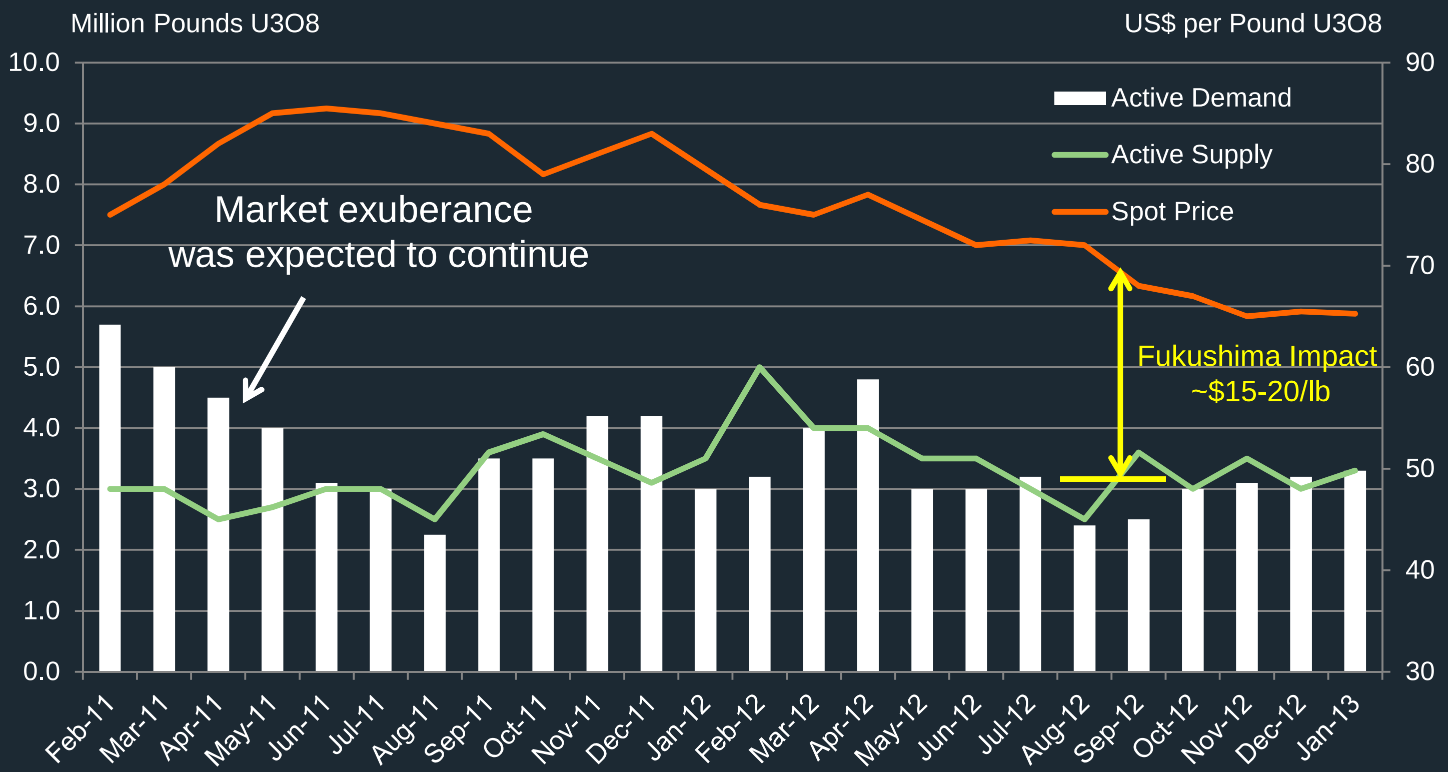
Historic Spot Price Projection (DPM Q1 2011)



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Reality 3

Projected Production is NOT Available for sale

The Forward Availability Model

Forecasting Long Term Prices through to 2025

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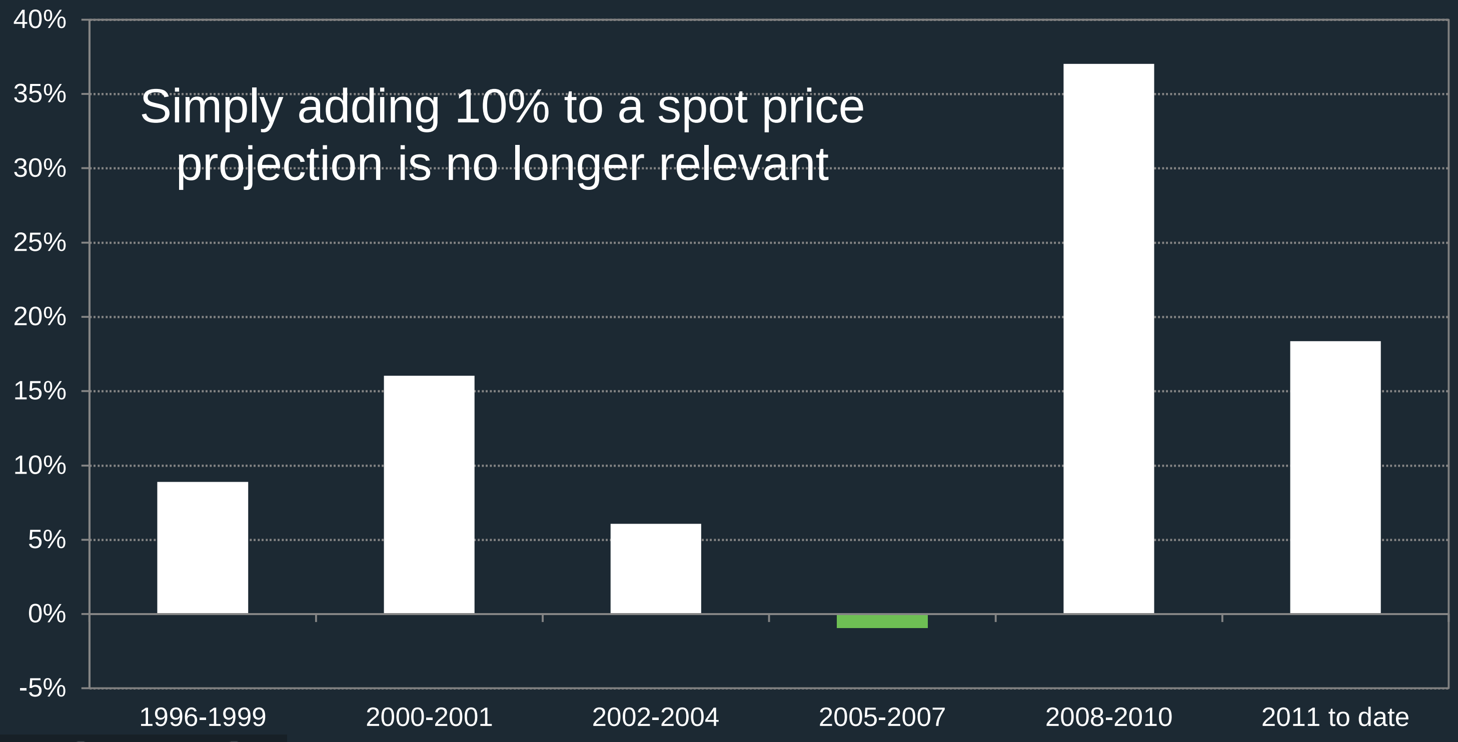
Long Term Price Premium



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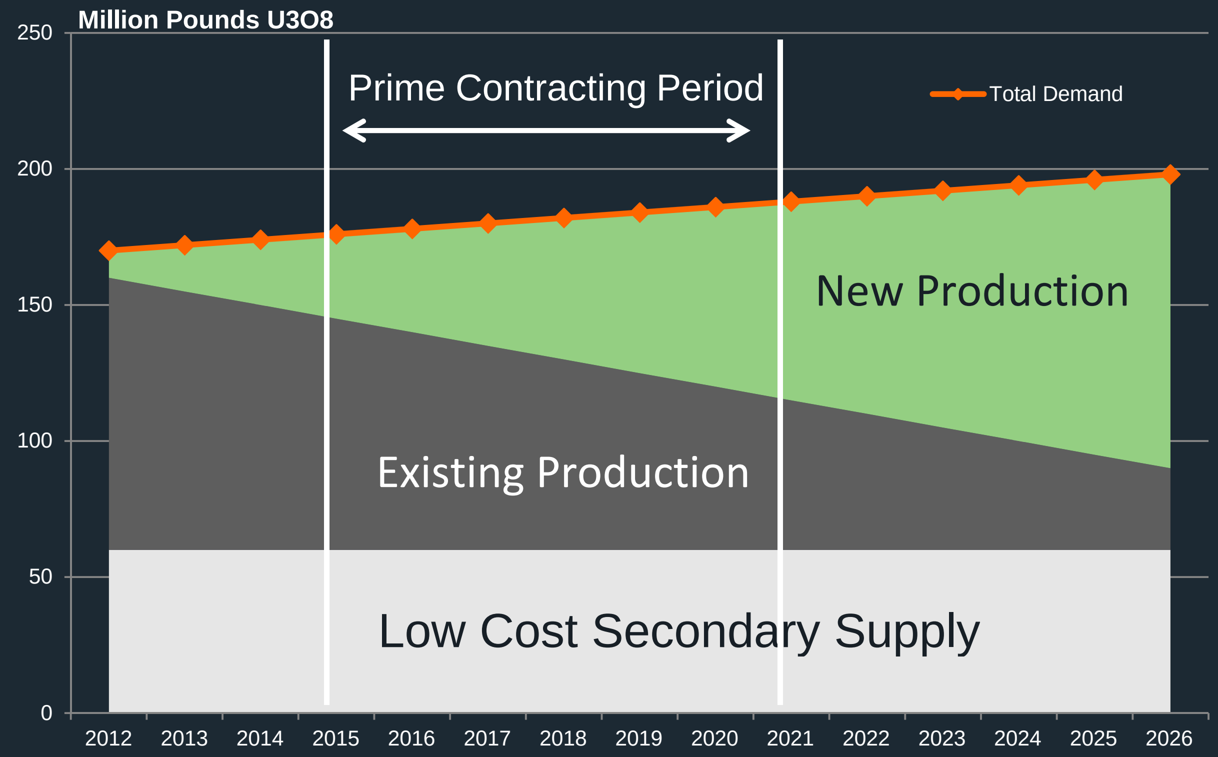
The Classic Supply and Demand Balance



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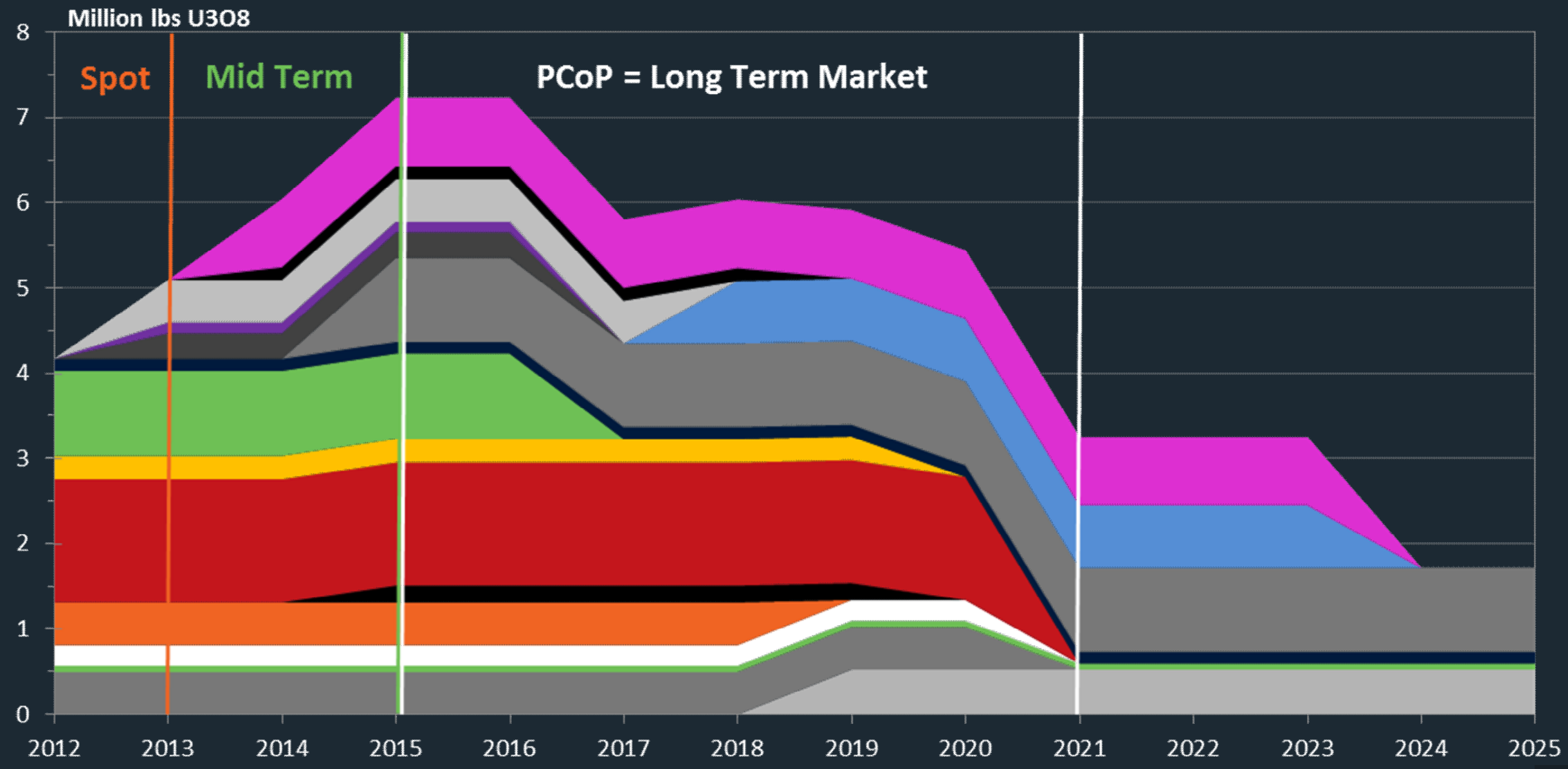
Prime Contracting Period (PCoP)



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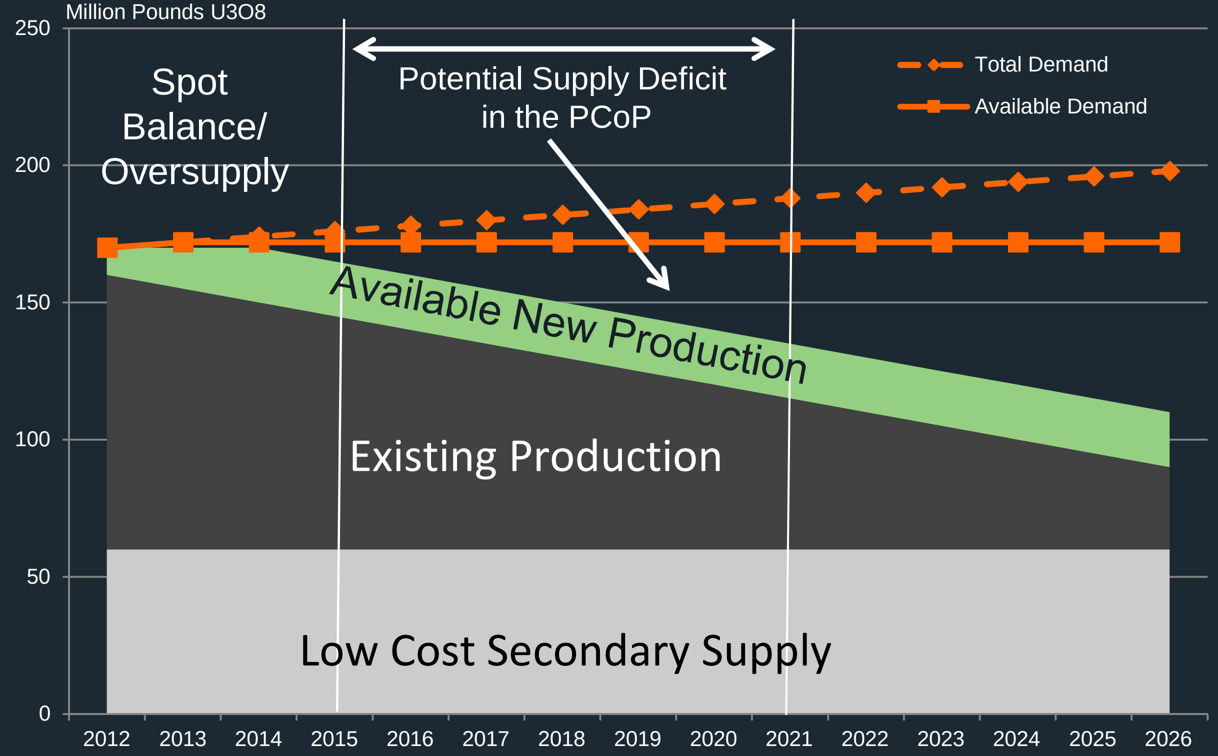
The Reality – Year 1 FAM Profile (Illustration)



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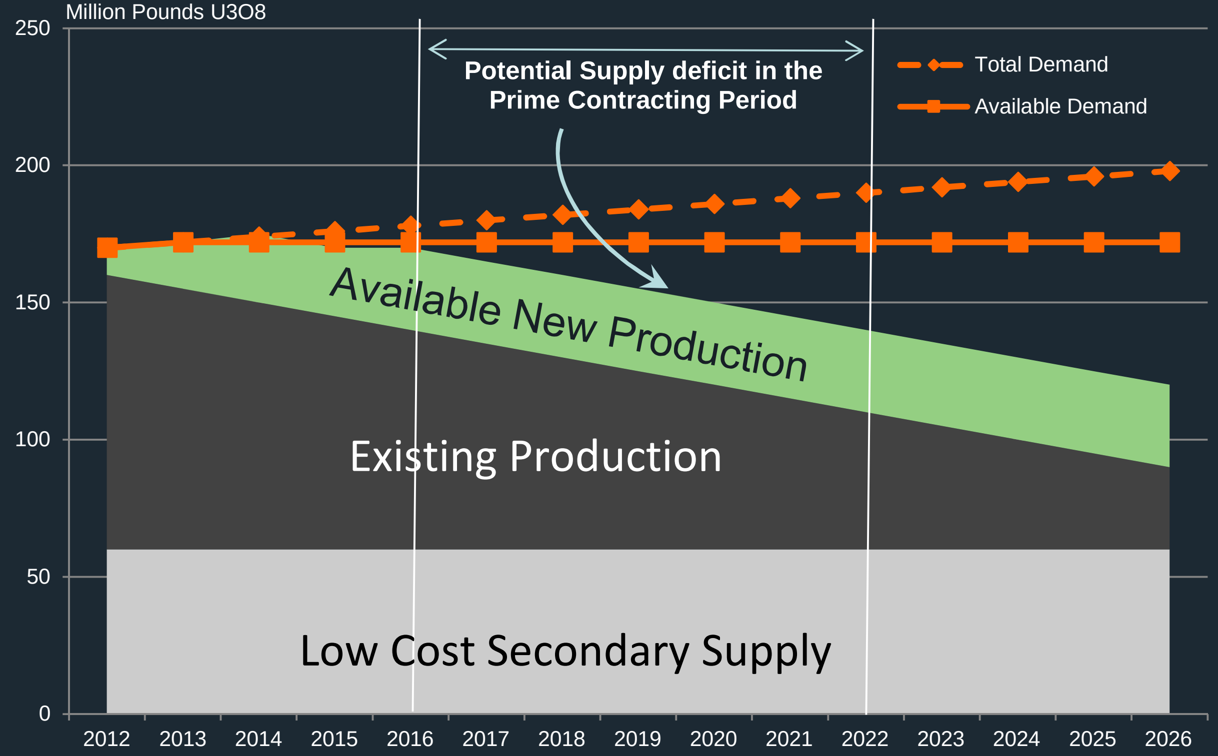
The Reality – Year 2 FAM Profile (Illustration)



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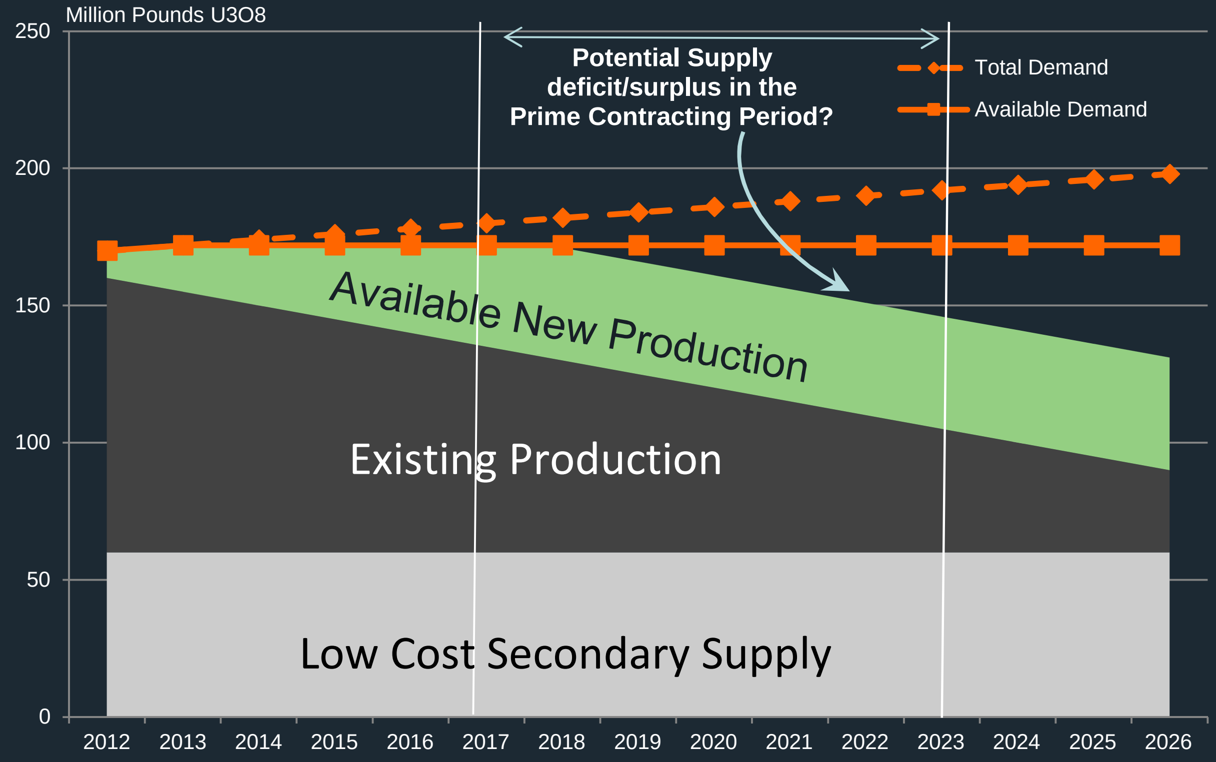
The Reality – Year 3 FAM Profile (Illustration)



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FAM Characteristics

- The Long Term Price is largely defined by S&D in the Prime Contracting Period (PCoP) - defined as a six year period beginning 3 years forward (T+3 to T+9).
- TradeTech uses its awareness of contracting activity to track supply availability.
- A Forward Availability (FAM) Profile is generated for each year being forecast.
- Surplus/deficit is run against the TradeTech production cost curve to generate a long term price forecast through to 2025.

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Reality 4

Good Market Fundamentals

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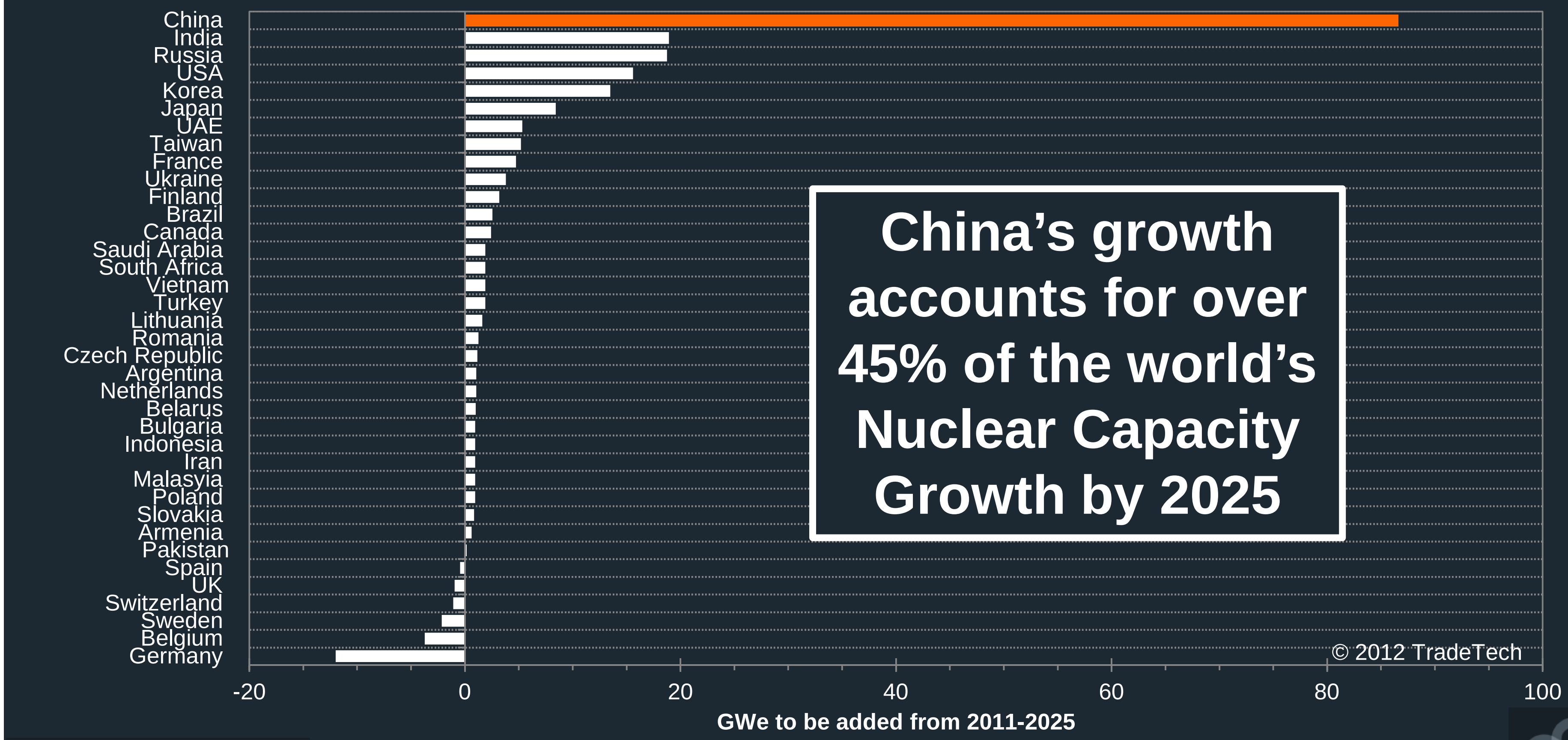
Nuclear Capacity Growth



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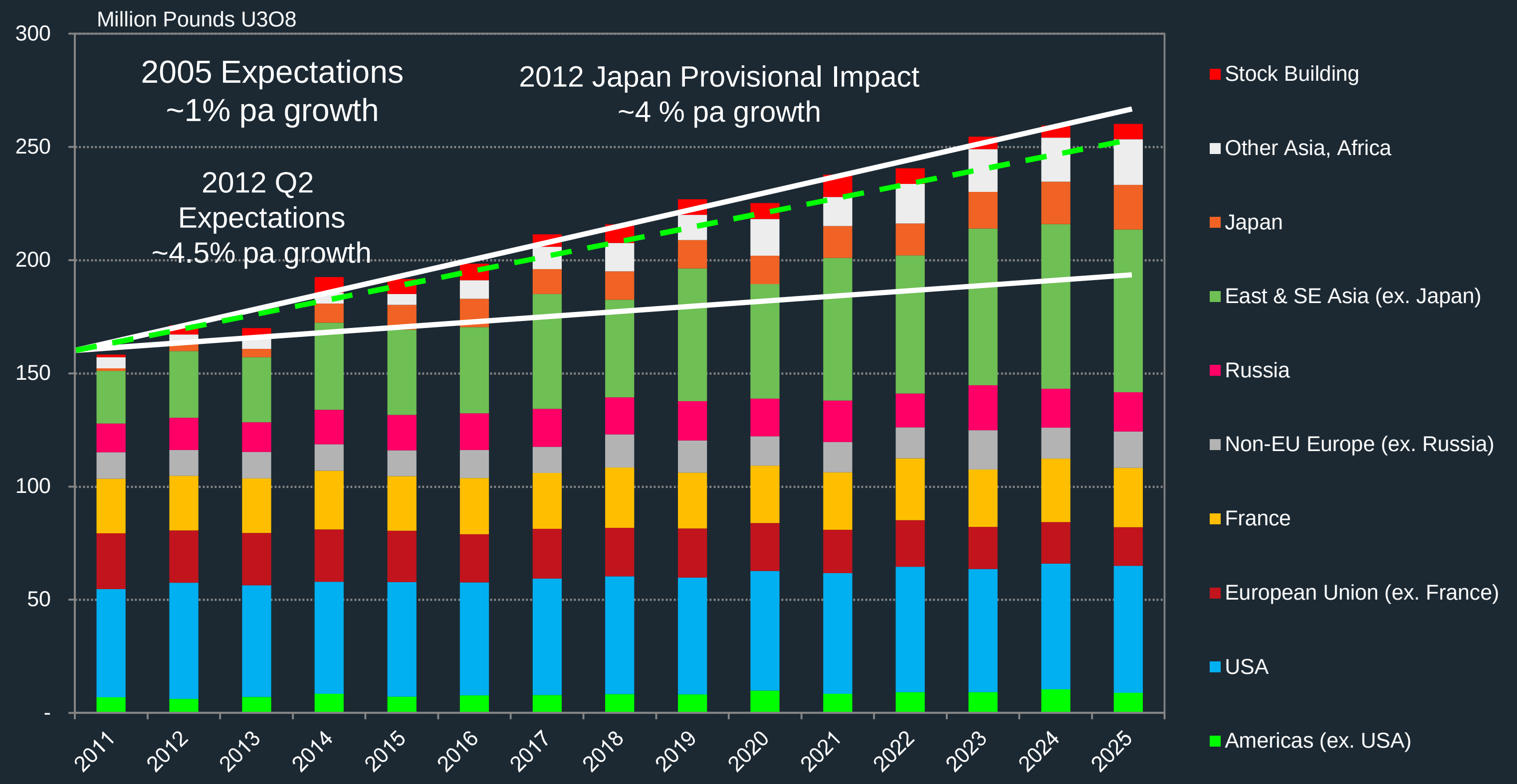
- *Largest regional growth area: Asia*

Global Uranium Requirements (Q2 Projections)



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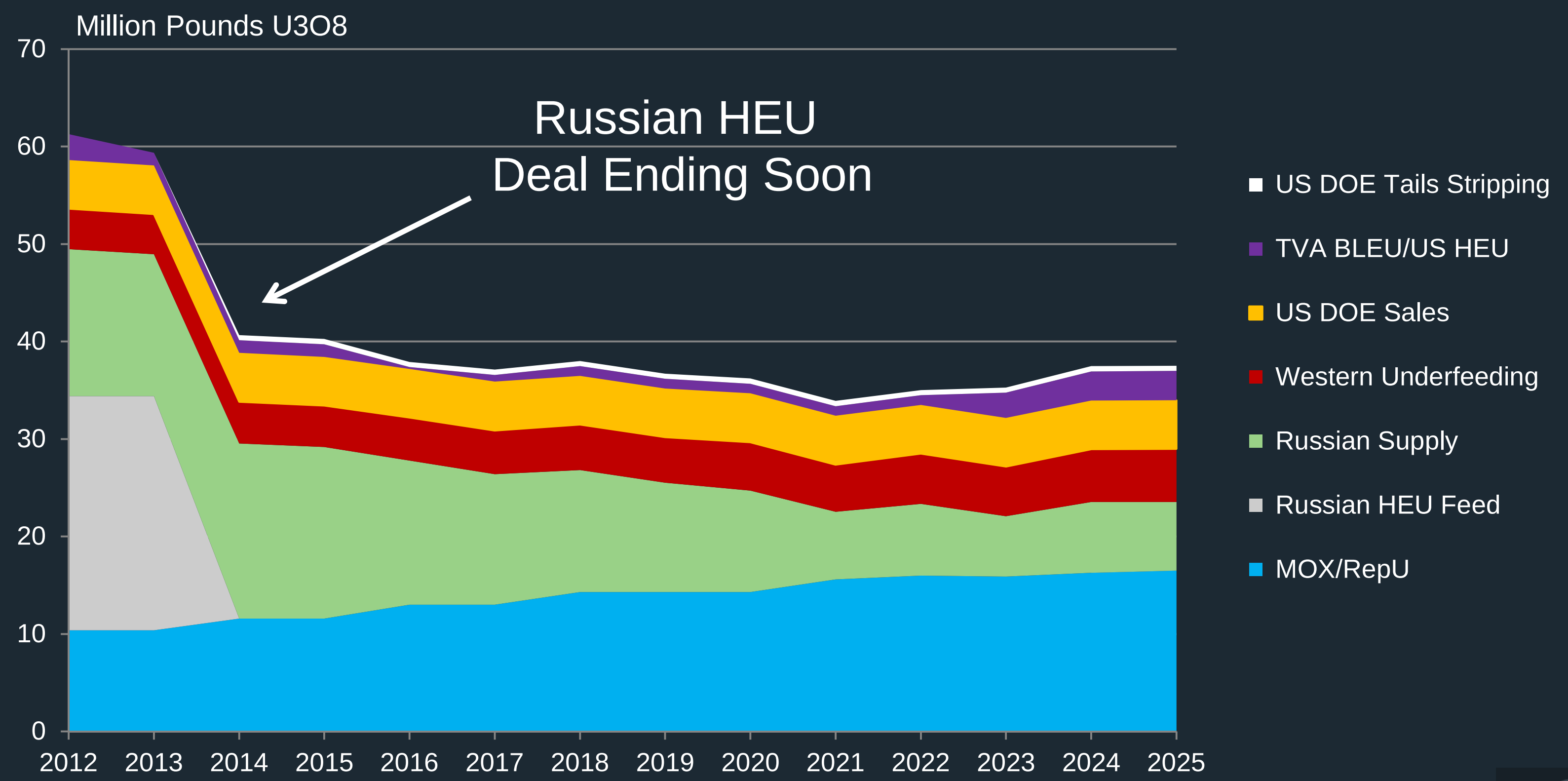
Secondary Supply (Q2 2012 Projections)



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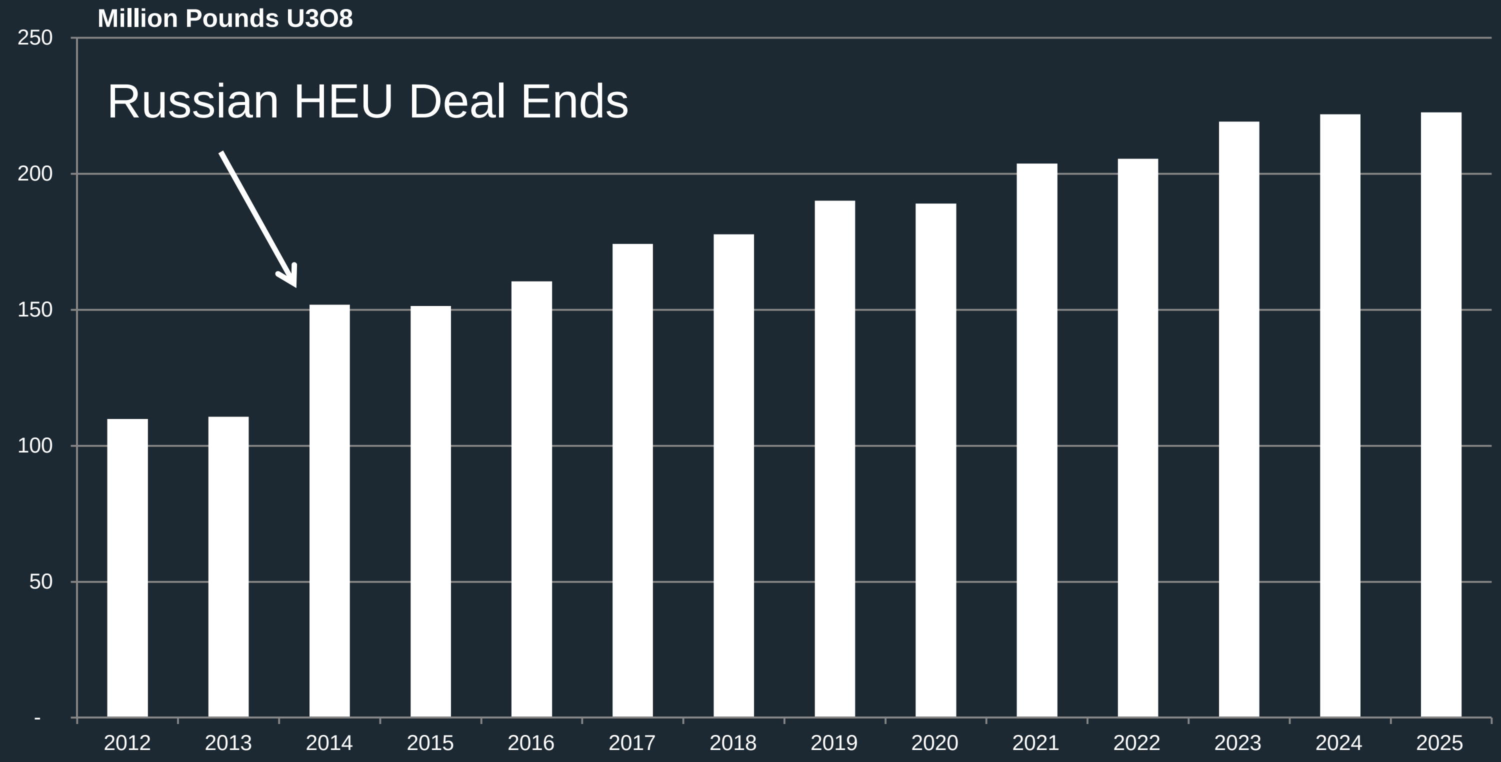
Call On Mine Production (Q2 Requirements less Secondary Supply)



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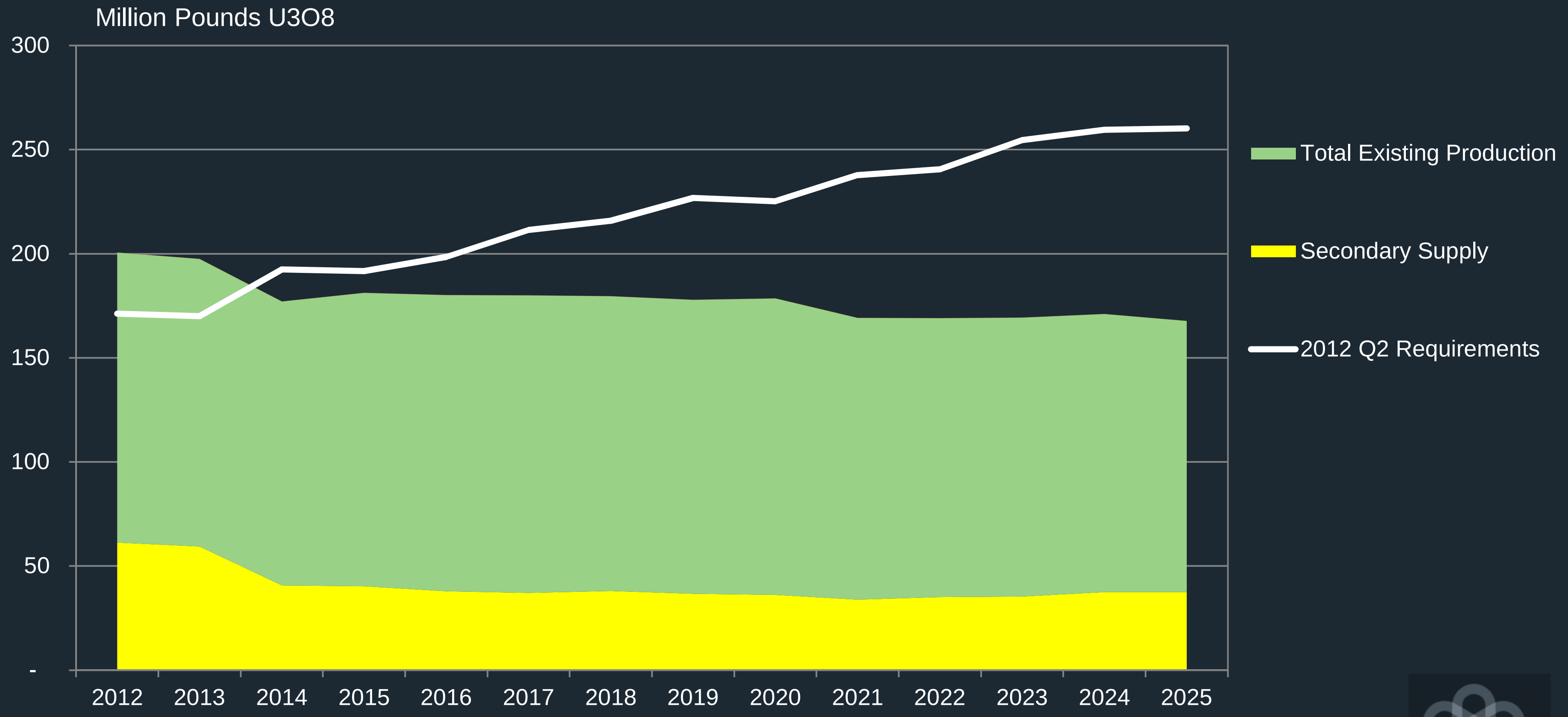
Supply & Demand (Inc. Existing Supply Only)



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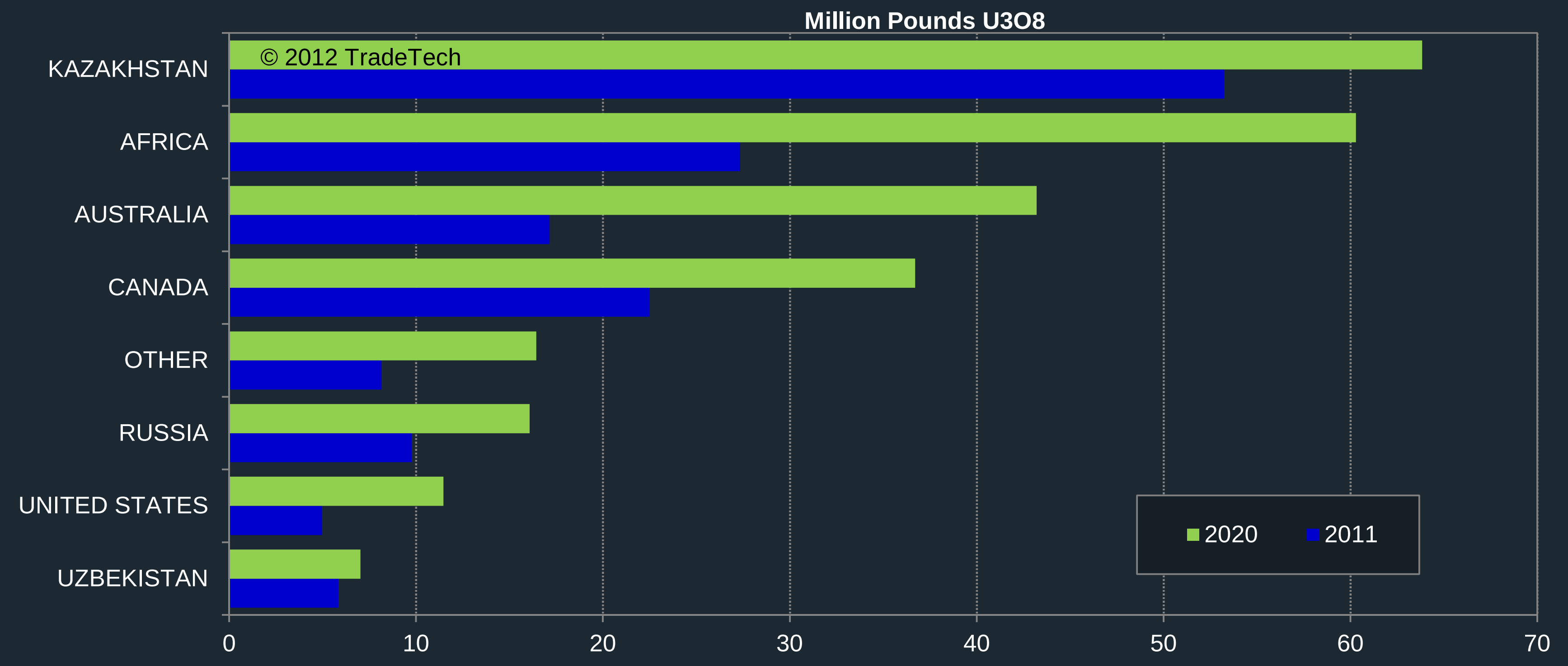
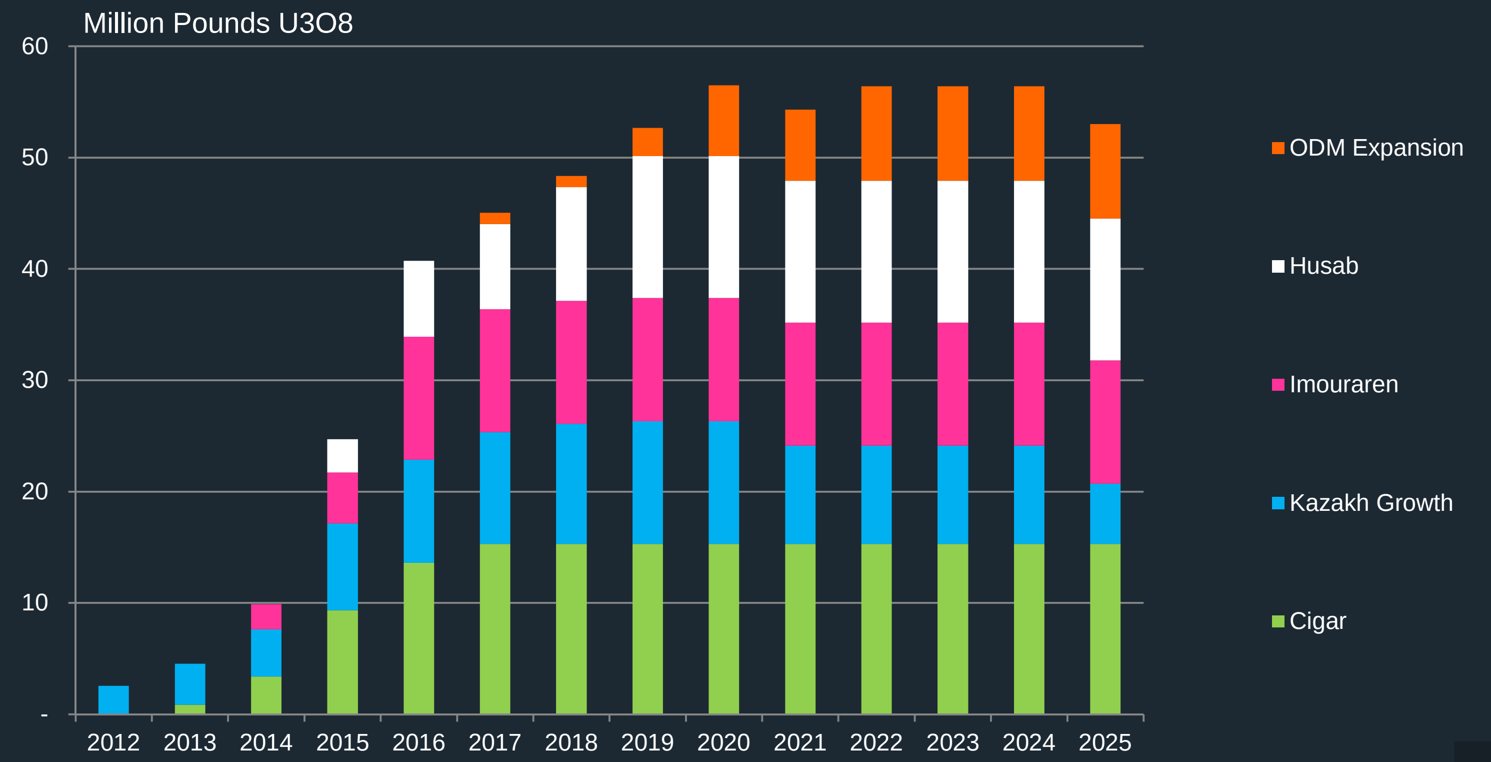
Current and Projected Uranium by Country



Five Pivotal Projects

(defined as large and low cost or with strategic value to the stakeholders)



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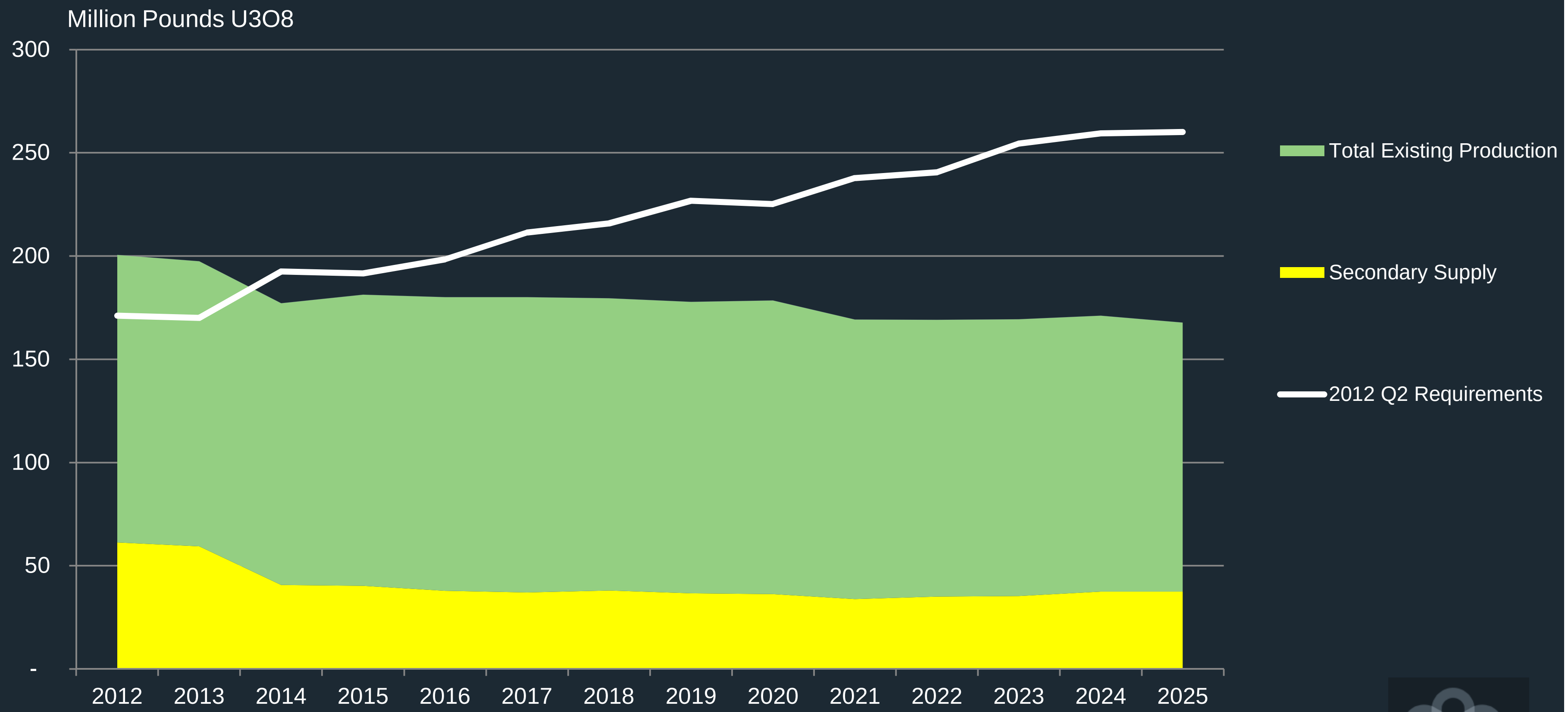
Supply & Demand (Inc. Existing Supply Only)



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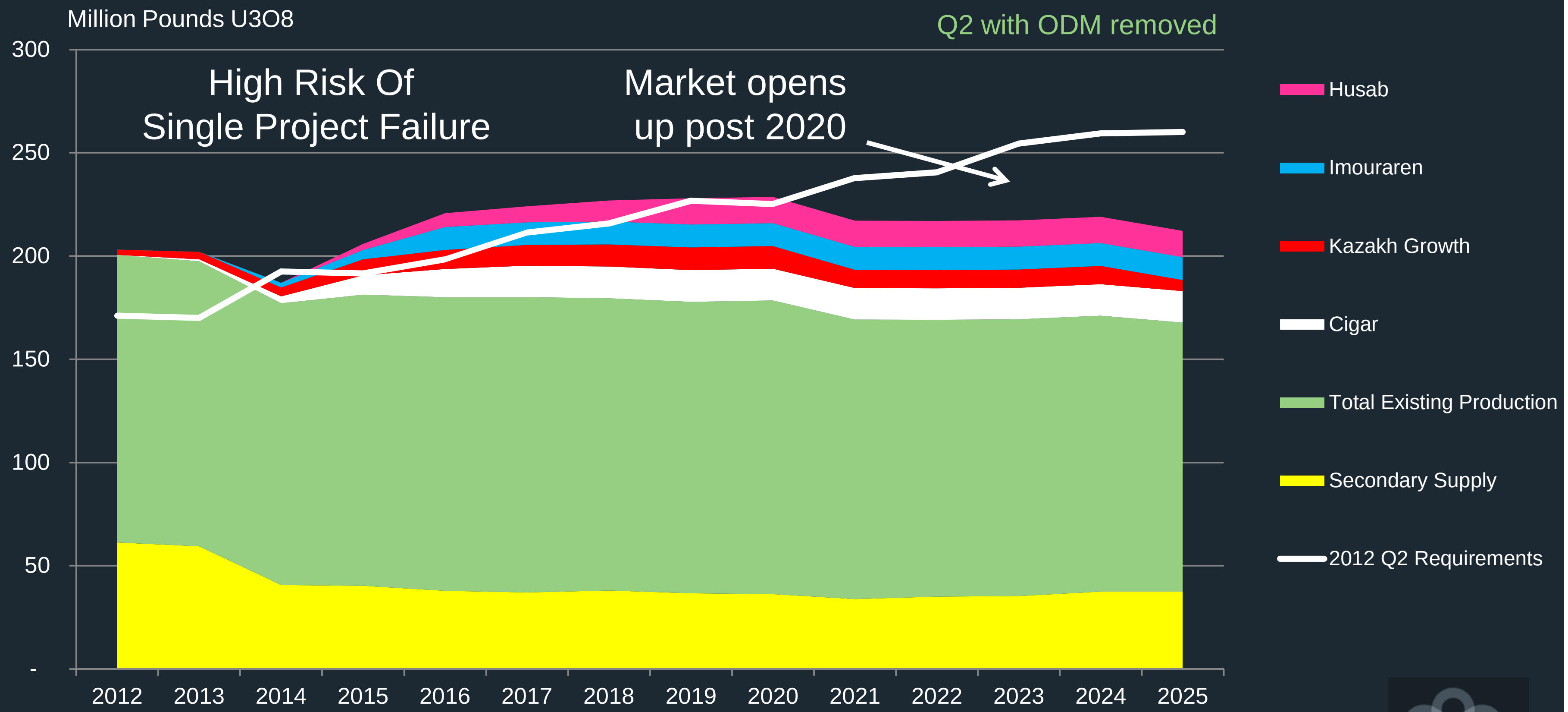
Supply & Demand (Inc. Existing Supply & Pivotals Only)



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Conclusions 1:

•**Reality 1**: Tthe structure of the market is changing due to the participation of investors and the financial community.

•**Reality 2**: Spot Price will not necessarily reflect production cost/clearing cost fundamentals.

• **Reality 3**: Long Term Prices more clearly linked to production costs AND production is not currently marketable.

They can be linked, both by arbitrage between the markets and psychologically.

• TradeTech has developed 2 separate models to reflect the reality of the Spot and Long Term markets.

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Conclusions 2:

Reality 4 : Firm Market Fundamentals...

- Nuclear power growth look robust.
- Reducing Secondary Supply supports COMP.
- Pivotal Projects have high importance, but will not be enough.
- Potential for a price rise by 2025 to $80 per pound U308.

Market developments and forecasts revised quarterly

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Treva Klingbiel
President
treva.klingbiel@tradetech.com

TradeTech
7887 E. Belleview Avenue, Suite 888
Englewood, Colorado, USA
Direct Phone +1 (303) 573-3520
www.uranium.info

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