**Current Uranium Pricing Indicators (US$/lb U3O8)**

| Source (date) | Price | Last Report (date) |
|---|---|---|
| **TradeTech[1] (Nov. 30)** | | |
| Exchange value | 20.50 | 20.20 (Oct. 31) |
| Long-Term U3O8 | 25.00 | 24.50 |
| UF6 value ($/kgU as UF6) | 63.00 | 62.00 |
| **RWE Nukem[2] (Nov. 30)** | | |
| Spot Market Price Range | | |
| Uranium ($/lb U3O8) | 19.90-20.25 | 19.50-19.75 (Oct. 31) |
| Conversion ($/kgU as UF6) | 9.00-9.75 | 8.50-9.25 |
| **Ux Consulting[3] (Dec. 27)** | | |
| Spot price | 20.70 | 20.50 (Dec. 13) |
| Spot conversion (U.S.) ($/kgU as UF6) (Dec. 27) | 9.00 | 9.00 (Nov. 29) |

1. TradeTech's Nuexco exchange value reflects the company's judgment of the price at which sales of significant quantities of yellowcake could be concluded as of the reporting date.

2. RWE Nukem's price ranges reflect bids and offers in the natural uranium spot market

3. The Ux Consulting's price indicates, subject to the terms listed, the most competitive offer available of which Ux Consulting is aware. Those terms (Dec. 27) are: quantity, 100,000-300,000 lb; delivery, within six months.

**Secondary SWU Market Price Estimate ($/SWU)**

| Source (date) | Price | Last Report (date) |
|---|---|---|
| **TradeTech (Nov. 30)** | | |
| Unrestricted | 88 | 88 (Oct. 31) |
| Restricted | 111 | 111 |
| **RWE Nukem (Nov. 30)** | 89-108 | 89-108 (Oct. 31) |
| **Ux Consulting (Dec. 27)** | | |
| Unrestricted | 89 | 89 (Nov. 29) |
| Restricted | 110 | 110 |

tion." Some of those contracts are believed to extend well into the next decade and perhaps as far out as 2020.

Cameco operates Cigar Lake, located in Saskatoon, on behalf of a joint venture consisting of Cameco (50% interest); Cogema Resources Inc., a subsidiary of Areva (37%); Idemitsu Uranium Exploration Canada Ltd. (8%); and Tepco Resources Inc. (5%).

Cameco said the Cigar Lake partners had approved a construction budget of about (Cdn)$450-million that includes surface and underground facilities as well as changes to the milling facilities at McClean Lake and Rabbit Lake. The Cigar Lake ore will initially be processed at the mill located at Cogema's McClean Lake operation. As the mine ramps up, about half the final processing will be completed at Cameco's Rabbit Lake mill, Cameco said.

The Cigar Lake uranium deposit was discovered by geologists from Cogema in 1981.

## USEC confirms that Timbers was 'terminated'

USEC Inc. confirmed that William Timbers was "terminated" as the company's president and CEO Dec. 14.

USEC's Dec. 20 8-K filing with the U.S. Securities & Exchange Commission (SEC) said that the company and Timbers plan to engage in "a dialog" over Timbers' separation package. Subsequent arbitration of any dispute is also possible, USEC said. USEC said it does not believe it is obligated to provide the payments and benefits that Timbers would have received if his termination was "without cause" under Timbers' July 2004 amended employment agreement.

But USEC disclosed that the cash payments it would have to make if Timbers won at arbitration would "not exceed $18-million." Because some of that money has already been accrued, the impact on net income for the company would not exceed $8-million, USEC said.

Many at the company were apparently looking to the future, believing that James Mellor, the USEC board chairman who has temporarily assumed the duties of CEO, would provide sound business leadership. "I'm confident that Mellor will pick the right CEO"—someone with a lot of business experience, said one USEC source.

But others outside of USEC wondered if Mellor, who has been paid for years as a consultant to USEC in addition to his board responsibilities, could really figure out what USEC needs going forward. Timbers tightly controlled access to the USEC board, and the board, according to a number of sources, rarely, if ever, asked for the views of other USEC employees.

## In the market...

There was little visible market activity over the holidays, although Ux Consulting raised its spot price 20 cents to $20.70 a pound U3O8. There is still upward pressure on the spot price, given the large gap—over $5/lb—between spot and long-term prices.

For 2005, it is unclear how much activity will occur in the spot market, according to a number of analysts. The recent activity that has occurred has been so-called off-market deals in which a buyer and seller quietly try to conclude a transaction so as not to have a significant effect on published prices. And given the fundamental shift in market dynamics over the past year—it is now a sellers market—most activity is moving to the longer-term market where producers and other sellers are going directly to utilities to put together multi-year deals.

Most analysts believe that trend will continue, raising further questions about the relevance of spot market pricing as a determiner of long-term contract prices.

In NuclearFuel's judgment, significant open-market transactions within the next two weeks could be concluded within the range of $20.60/lb to $21.30/lb, a rise in the range reported two weeks ago of $20.50 to $21.10/lb U3O8.

In other news, Russia's Techsnabexport (Tenex) announced that it has concluded a contract with Brazil for uranium conversion services, according to the Internet news service Nuclear.Ru. Tenex head Vladimir Smirnov, meeting with reporters Dec. 28, said that in 2005, Tenex subsidiary Tenex-Japan would start operations to promote products in the Japanese market, Nuclear.Ru said.

*—Michael Knapik, Washington*

## Current Uranium Pricing Indicators (US$/lb U3O8)

| Source (date) | Price | Last Report (date) |
|---|---|---|
| **TradeTech[1] (Oct. 31)** | | |
| Exchange value | 12.70 | 12.25 (Sept. 30) |
| Long-Term U3O8 | 13.00 | 12.00 |
| UF6 value ($/kgU as UF6) | 38.25 | 36.75 |
| **RWE Nukem[2] (Oct. 31)** | | |
| Spot Market Price Range | | |
| Uranium ($/lb U3O8) | 12.35-12.75 | 11.40-12.25 (Sept. 30) |
| Conversion ($/kgU) | 5.00-6.50 | 5.00-6.50 |
| **Ux Consulting[3] (Nov. 3)** | | |
| Spot price (U3O8) | 12.75 | 12.20 (Oct. 6) |
| Spot conversion (U.S.) ($/kgU as UF6) (Oct. 27) | 5.00 | 4.80 (Sept. 30) |

1. TradeTech's Nuexco exchange value reflects the company's judgment of the price at which sales of significant quantities of yellowcake could be concluded as of the reporting date.

2. RWE Nukem's price ranges reflect bids and offers in the natural uranium spot market

3. The Ux Consulting's price indicates, subject to the terms listed, the most competitive offer available of which Ux Consulting is aware. Those terms (Nov. 3) are: quantity, 100,000-300,000 lb; delivery, within six months.

## Secondary SWU Market Price Estimate ($/SWU)

| Source (date) | Price | Last Report (date) |
|---|---|---|
| **TradeTech (Oct. 31)** | | |
| Unrestricted | 88 | 88 (Sept. 31) |
| Restricted | 108 | 108 |
| **RWE Nukem (Oct. 31)** | 89-107 | 89-107 (Sept. 30) |
| **Ux Consulting (Oct. 27)** | | |
| Unrestricted | 89 | 89 (Sept. 29) |
| Restricted | 108 | 108 |

a majority view was that Tenex would honor GNSS delivery commitments , especially since the HEU deal was a disarmament deal between the U.S. and Russia. It is "not going to fall apart," said one observer

Nonetheless, there were some who expected there to be a legal fight, which could add a further dimension of uncertainty.

Given all of this, several sources said, a utility fuel buyer who has a near-term delivery scheduled under a GNSS supply contract may very well have to consider buying that material from other sources (and at higher prices).

On its Web site (http://www.tenex.ru), Tenex posted the following notice Nov. 3:

"Joint stock company 'Techsnabexport' was appointed as the authorized agent of the Ministry of the Russian Federation for Atomic Energy to implement the Agreement between the Government of the United States of America and the Government of the Russian Federation Concerning the Disposition of Highly Enriched Uranium Extracted from Nuclear Weapons dated February 18, 1993 (the HEU-LEU Agreement).

"On October 31, 2003 it was decided that further sales to Globe Nuclear Services and Supply GNSS, Limited (Switzerland) of the natural uranium distributed to the Russian Federation as its federal property in the territory of the United States of America within the framework of implementing HEU-LEU Agreement are inexpedient.

"The decision was made pursuant to the conclusion that the terms of the contract with GNSS are contrary to the interests of the Russian Federation and in the absence of a legal basis for its further implementation.

"Guided by this decision 'Techsnabexport' terminates starting from January 1, 2004 sales of the subject natural uranium to Globe Nuclear Services and Supply GNSS, Limited (Switzerland)."

A response to an e-mail request from NuclearFuel to Tenex asking for clarifications of its Web posing was not received at press time on Friday, Nov. 7.

### GNSS feed quota significant

GNSS' allocation of the U.S. feed quota, worked out under an agreement (NF, 5 April, '99, 1) between Tenex and three Western companies—Cameco, Cogema, and Nukem—was 5.7-million lb U3O8 in 2004 rising to 7.8-million lb in 2008. The U.S. feed quota was set in the 1996 USEC Privatization Act. For 2004, the amount of blended-down HEU feed that can be sold in the U.S. totals 14-milliion lb. Under the HEU deal, Russia is downblending 30 metric tons of weapons HEU, which produces about 24-million lb U3O8 equivalent per year in low-enriched uranium. Tenex ships the uranium it doesn't sell back to Russia.

Not all of the U.S. quota is used every year (NF, 17 March, 15). In 2002, only 77.38% of the quota was used, even though it is believed that all the companies involved in the HEU feed deal took their maximum allowed shares, and may even have exercised options to buy more material. Cogema is believed to be shipping a lot of the HEU feed it buys out of the U.S. for use in other sales contracts.

Many sources believe that Tenex will honor the GNSS contracts at the prices specified in those contracts, given that Tenex has a 30-year reputation for never missing a delivery, said several sources. Those contracts were signed months to years ago when market prices were around an average of $10/lb, and their prices are believed to be well below today's spot prices. But Tenex is unlikely to try to re-open the contracts to obtain higher prices, several sources said. If Tenex did that "it would almost be worse than not delivering at all," said one analyst.

One source said it is unclear if Tenex has copies of those contracts (it may just have a list of quantities and delivery dates), but if it doesn't, it is likely that it soon will even if GNSS doesn't cooperate. Utility buyers will be "burning up Tenex's fax machines" with the copies, a

*(Continued on page 14)*