

## Uranium Price Reaches \$40 -- Can the Market Sustain this Landmark Price?

*Sign of the times when every nation projects building more and more nuclear plants.*

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Denver, Colorado – The spot market price for uranium rose to US\$40 per pound uranium oxide (U3O8) today—the first time since January 1980 that the uranium market has seen a spot price reach this level.

The uranium price first climbed to \$40 per pound U3O8 in April 1976 and remained in the \$40 range until January 1980. The market in the late 1970s was considerably different than today's uranium market, which begs the question: Is today's \$40 price sustainable? "We think it is," said Gene Clark, chief executive officer of TradeTech, LLC, a nuclear energy market consultant. "After years of industry consolidation and tight financial conditions, uranium exploration has suffered and there will be a time lag, perhaps as long as five to seven years, before the supply side can fully respond. Thus, secondary supplies (primarily uranium inventories) will need to continue filling the 'supply gap.' With little strategic stock to mitigate supply disruptions, prices can rise dramatically, and in fact, have done so," Clark advised.

The biggest difference in the uranium market today is that the supply/demand outlook is much clearer than it was a quarter century ago, based on more realistic contract terms and uranium requirements. "The challenge will be to bring more uranium production online to assure market balance," Clark stated.

A number of factors contributed to the price rise of the late 1970s, including aggressive nuclear energy plans and a switch to fixed-commitment uranium enrichment contracts that locked utilities into firm commitments for a rolling 10-year period. During this time, large uranium inventories accumulated. In fact, until 1985 the Western uranium industry was producing material much faster than nuclear power plants and military programs were consuming it. However, by the 1980s uranium from canceled and deferred nuclear plants flooded the market. Uranium prices slid throughout the decade with few respites, leaving the price below \$10 per pound U3O8 by year-end 1989.

As uranium prices fell, producers began curtailing operations or exiting the business entirely, leaving only a few actively involved in uranium mining and causing uranium inventories to shrink significantly. Since 1990 uranium requirements have outstripped uranium production. World uranium requirements are expected to increase steadily throughout the next decade to a peak of over 200 million pounds U3O8, according to TradeTech. Uranium producers are gearing up for this added demand. A number of existing producers are planning for expansion, while new junior producers are preparing for uranium exploration and production.