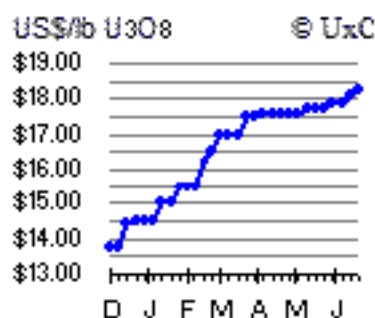


WHY DO URANIUM PRICES CREEP HIGHER?

Strathmore Minerals Consulting Geologist
Says 'No Excess Inventory' Available

Will the Russians keep their inventory close to home?

StockInterview's Andy Barrett interviewed David Miller, an expert on uranium exploration and a consulting geologist to Strathmore Minerals (OTC Pink Sheets: STHJF; Toronto Venture Exchange: STM). A twice-elected and sitting member of the Wyoming Legislature, Mr. Miller recently consulted for the International Atomic Energy Agency in helping train the Chinese in uranium exploration and mining techniques. He helps explain why the price of uranium keeps rising and provides useful insights into uranium, nuclear energy and why uranium prices should go higher. This is Part One of a four-part interview with David Miller. In part one Mr. Miller notes, "In my opinion, no one has any extra uranium to sell on the spot market. There's just not excess inventory that people are unloading in the spot market."



Since December, uranium's price has steamed ahead without looking back. Chart source:

http://www.uxc.com/review/uxc_g_30wk-price.html

StockInterview:

Can you explain what is going on in uranium's spot market?

David Miller:

If you look at the spot market activity, it's been going down for six months. There is less and less uranium on the spot market, and the spot market price keeps creeping up to encourage people to make a few hundred thousand pounds available here and there. They're just not making it available because I just don't think it's out there. Until someone lets some uranium go on the spot market, I don't know.

StockInterview:

Why wouldn't the government feed some uranium into the market from their inventories?

David Miller:

There are very little spot sales going on. In my opinion, no one has any extra uranium to sell on the spot market. There's just not excess inventory that people are unloading in the spot market. Clearly, the big utilities, the big producers, like Cogema, will find uranium contractors who will pay their current price. But, what we don't know is what price they are asking for. Those are private transactions. The government started the uranium boom because of the incentives they put out there for people to deliver certain grades of uranium to the government, back in the 1950s and 1960s. That's why the U.S. was so successful in becoming the world leader in uranium production until just recently. (Canada

has surpassed in cumulative uranium production.) The only incentive now is a free market incentive with a price tag going up and it looks like a limited supply. That is why you are seeing an uptick. (Editor's Note: The current price is \$18.25).

StockInterview:

Where is the uranium coming from?

David Miller:

It's coming from Canada. In the recent past, it's come from the utilities that had too much uranium. Or it's come from the HEU (Highly Enriched Uranium) program, from Russia. The Russians are not dumping it like they were. The Russians had an announcement, several months ago, that they don't want to extend any of these programs that are allowing their HEU into the marketplace at very low prices. They want to keep either it in Russia or some of the former CIS countries, or they want to develop their own market for their uranium.

StockInterview:

What about Russian and US government uranium inventories?

David Miller:

I think there is still HEU out there in substantial numbers. There are published inventories on what the Russians have left and what the Americans have left. The Russians have been announcing lately that they don't want to sell a lot more uranium into the marketplace because it looks like they are going to need it for their own internal needs. They're very bullish on nuclear power, and frankly need it to sustain their growth. In fact, all of those countries that made up the former Soviet Union need it. I don't know how much they are willing to let go from this point forward. The same with the American inventory.

StockInterview:

Who, then, is actually supplying the marketplace with uranium?

David Miller:

There are only a few companies: Cogema, Cameco, RTZ, and ERA in Australia. Essentially, pseudo-government or companies that were spun out of government organizations that produce uranium, like Cogema or Cameco (NYSE: CCI). There's some Australians, and RTZ also produces a little bit of uranium. The bottom line is: As the price goes up, there will be new people coming in to help fulfill this demand. I've looked back through my records and I have a report put out in 1983 by the U.S. Department of Energy, Energy Information Administration. I just looked at a table on here. In 1978, there were 157 companies in the U.S. alone that controlled properties for uranium mining and uranium exploration. Now, we're down to less than ten companies.

StockInterview:

Aren't the world governments, and especially the U.S. government, thinking that uranium exploration is unnecessary because there is so much uranium left over from the nuclear buildup?

David Miller:

It costs governments tens of thousands, or even millions of dollars per pound, to make that stuff. Are they willing to spend thousands or tens of thousands to downgrade the uranium to reactor grade fuel, when you can mine new stuff at \$30/pound?

StockInterview:

Do we truly have a uranium shortage?

David Miller:

We're not going to run out of uranium. I was reading a recent Japanese utility's report, which compared costs on re-processing the breeder reactor uranium. It's forty times more expensive to get a breeder reactor pound than it is to mine a new pound of uranium. That's the cost of recycling spent fuel rods to recover the unconsumed uranium. To mine uranium, and make it into yellowcake, costs anywhere from less than \$10/pound on up. For example, the Japanese did studies twenty years ago, showing

that you could recover uranium from seawater for \$200/pound. That's way too expensive because there is plenty of natural uranium available from uranium deposits.

StockInterview:

How much uranium is being produced every year?

David Miller:

We're producing, in the U.S., about two to three million pounds per year. In the U.S., we have roughly 103 nuclear reactors. For each thousand megawatts of electrical generating capacity, it consumes approximately 400,000 pounds of "yellowcake" per year. Take that 103 multiplied by 400,000 pounds. That's roughly the raw uranium demand per year for the U.S. reactor fleet. The U.S. demand for newly mined uranium is roughly 41 million pounds of uranium per year. That's just the US demand alone.

StockInterview:

What is the mood among U.S. utilities toward nuclear energy, with the price of crude oil sustained at such high levels for an extended period of time?

David Miller:

The cost of uranium compared to the cost of a kilowatt hour of electricity is very small, compared even to a coal-fired plant or especially a gas-fired turbine electricity generating plant. There are some U.S. utilities that are fairly bullish on a nuclear future. Several are kind of buying up the existing nuclear reactor fleet in the U.S. Some of them have as many as fifteen reactors under one ownership in the U.S. Areas like the northeastern United States have quite a high percentage of their electricity generated by nuclear power. Florida has in the neighborhood of 30 percent. The U.S. average is 20 percent of the electricity is generated by nuclear power.

StockInterview:

Are utilities relying more upon nuclear than other energy sources?

David Miller:

In the last ten years, the largest growing power source in electricity generation in the U.S. in the form of kilowatt hours generated is nuclear power. And without building one more nuclear generating station. In fact, one was shut down. We used to have 104. The amount of kilowatt hours kicked out by these power plants has gone up a great deal, in the past ten years. It's really saved our bacon in electrical power generation. It would have been far worse with what happened a few years ago with the electrical power grids in the U.S. Nuclear power is the unsung hero in the U.S. for electrical generation.

David Miller

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Mr. Miller, is a minerals industry expert in exploration, acquisition and operations. His primary focus has been on uranium, coal bed methane and gold. David worked with Cogema, the second largest producer of uranium in the world, the last 4 as its chief geologist for in-situ operations in the US. Mr. Miller has over 25 years of experience in exploration and acquisition of uranium properties. Mr. Miller has consulted in uranium exploration, deposits, mining, and "in-situ" recovery for the IAEA. Mr. Miller is also an elected member of the Wyoming Legislature, committee assignments include Minerals and the Energy Council.

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