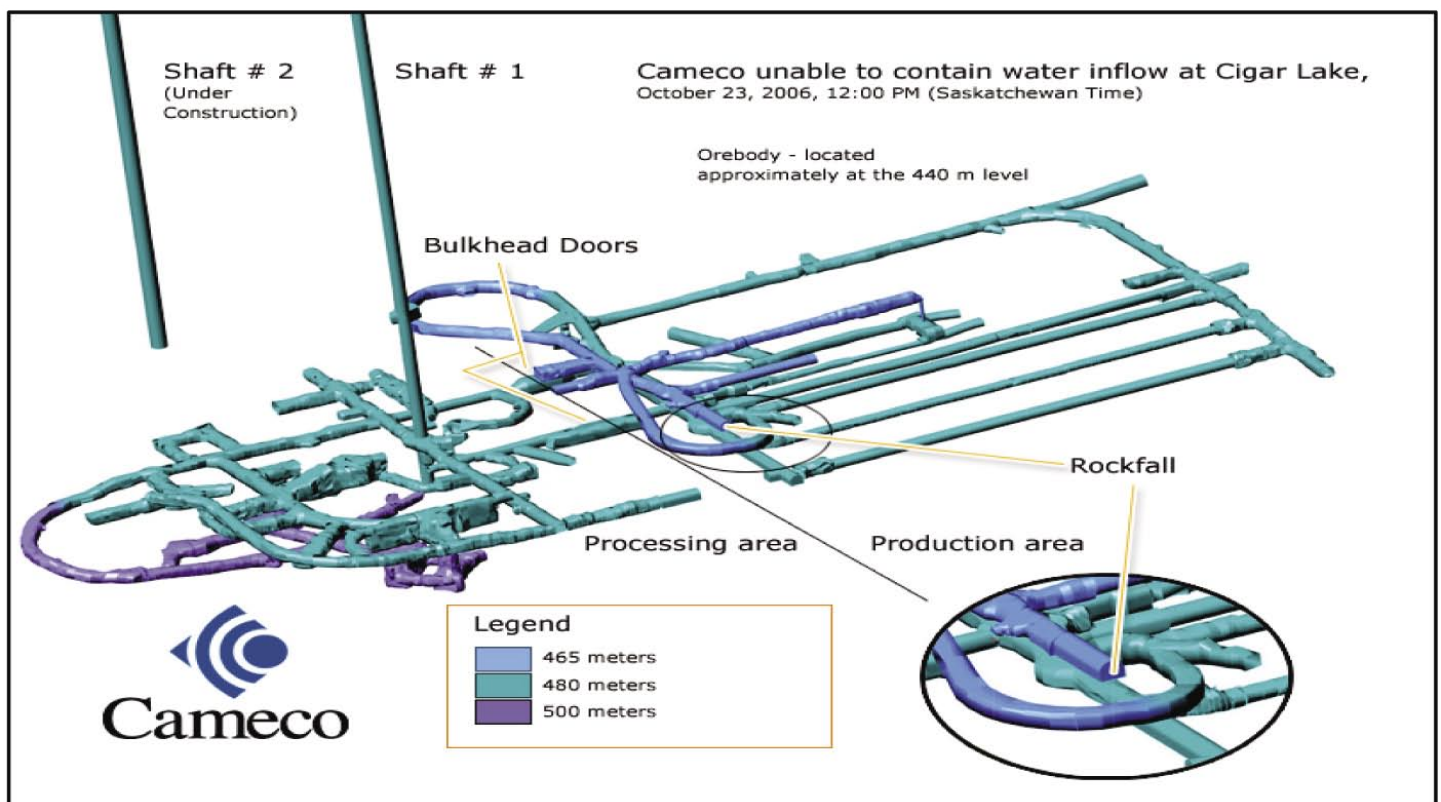


SPOT URANIUM PRICE CLIMB STALLS

Small Quantities of Uranium Offered at Current Price



A rockfall at Cameco Corp's Cigar Lake uranium project in Canada's Saskatchewan province led to the largest percentage increase in the spot uranium price since records were kept. The subsequent flooding also sent the share prices of some junior uranium mining companies soaring. Courtesy of Cameco Corp

SUMMARY: TradeTech reported its uranium price indicator at US\$60.25/pound on Friday, November 3rd. "One off-market transaction involving delivery before year-end was concluded this week at, or very near to, TradeTech's Spot Price Indicator of \$60.25 per pound U3O8," Gene Clark, Chief Executive of TradeTech wrote to us in an email. "These offers are for small quantities involving almost immediate delivery and payment." We interviewed Gene Clark about this development and what it means for spot uranium price climb heading into year end and what to expect for early 2007. TradeTech website: <http://www.uranium.info>



TradeTech Chief Executive Gene Clark.

*As a nuclear physicist and formerly with NUEXCO and the U.S. Department of Energy's Energy Information Administration, Mr. Clark is highly respected through the nuclear industry. StockInterview relied upon Mr. Clark for his valuable insights and essays found in the 304-page book **Investing in the Great Uranium Bull Market**. More Info: <http://bookstore.stockinterview.com>*

By James Finch

StockInterview:

Immediately after TradeTech announced a record percentage jump in the spot uranium price last Friday, a number of analysts and market commentators began forecasting higher levels this past week. Some believed the uranium price would reach \$65, \$70 or higher this week. What happened and why did the price stall?

Gene Clark:

While most sellers adopted a 'wait and see' attitude, a few decided to capitalize on the recent price run-up. These decisions were prompted by end of year cash needs. When it gets close to closing the fiscal year, and some sellers see an opportunity to book a sale accompanied with payment before the year ends, offer prices often reflect that hunger for cash.

StockInterview:

Is the flat spot price just temporary?

Gene Clark:

In the wake of the flooding at Cigar Lake some market analysts began predicting a stall in the price. But according to these analysts, the price should only be stalled for a few weeks. This is probably a reasonable expectation. Market fundamentals still seem to support further price increases.

StockInterview:

What does that mean for buyers over those next few weeks?

Gene Clark:

Many market participants expected consistent price increases as a result of events at Cigar Lake. However, the timing of the Cigar Lake flooding, coincident with the need of some sellers to generate cash at year-end, means buyers have a brief window of opportunity to obtain uranium at prices that will likely be considered a bargain in the not-too-distant future.

StockInterview:

Isn't that irrational behavior to leave money 'on the table' like this?

Gene Clark:

It is not unusual to see this type of behavior by the seller segment of the market toward the end of the year. Over the years, we have heard many comments about how irrational the uranium market is, with its very small liquidity and the asserted immature market savvy of its participants. While the lack of liquidity and sophisticated market mechanisms is true about the uranium market, it would be a mistake to assume that its buyers and sellers are acting irrationally.

StockInterview:

Doesn't this market's irrationality reflect the lack of a centralized commodity futures market for uranium?

Gene Clark:

I've heard many observers comment that the lack of a futures or options market, or a centralized exchange, reflects a level of immaturity of the uranium market. Statements about the irrationality of the uranium market seem to focus primarily on the behavior of the spot market. The most frequently cited evidence for an irrational market is volatility in the spot market price and the persistence of one-sided markets over long periods. The uranium spot market reflected a persistent buyers' market over the 15-year period of 1980 to 1994, and again between 1998 and 2003. It's pretty clear who is in charge right now.

StockInterview:

Why is there so much attention on the spot market price when this market has only accounted for ten to 20 percent of the total market volume?

Gene Clark:

That is rooted deep in the history of the uranium market. Right or wrong, the long-term uranium market has been in-

extricably linked to the spot market through at least three mechanisms:

1. The 'market-related' price mechanism in long-term contracts
2. Quantity flexibilities under long-term contracts
3. The tendency of the long-term base price to move in concert with the spot price

StockInterview:

What do you mean by 'quantity flexibilities' under long-term contracts?

Gene Clark:

In the early 1990s, buyers were able to command considerable flexibility in contract delivery quantities. When the spot price rose to a peak of \$16.50 per pound U3O8 peak in 1995-96, the level of flexibility declined. After spot prices peaked and fell again, buyers were able to get high annual levels of flexibility in their long-term contracts. This was like getting free buyer's options. This level of optional quantity was one of the first things to disappear in the long-term offers, at the start of both of the recent price-run-ups. In today's market, if you can even get quantity flexibility, it is only a few percent per year.

StockInterview:

How is that linked to the spot price?

Gene Clark:

These 'legacy' quantity flexibilities allowed buyers to shift annual delivery quantities among contracts, or into the spot market. They could take advantage of shifts in the spot market price, helping to minimize the buyers' overall costs. Given the price ramp-up in the past three years, every buyer would

have exercised these options. This is why utility purchases are well in excess of their annual requirements. Utilities are building inventory using these cheap options. If you have a built-in flexibility option under a long-term contract, buying and holding is a no-brainer.

StockInterview:

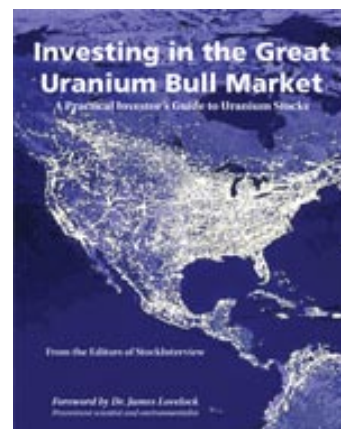
Some are contending the tail (spot price) is wagging the dog (long-term contracts). Please explain how the spot price does this.

Gene Clark:

When prices started moving up, buyers and sellers had little inkling as to 'fair' future prices for delivery under these long-term contracts. They shifted to higher reliance on the market-price mechanism. Since the price run-up and shift to a seller's market, starting in 2004, this became the prevalent price mechanism. Especially since sellers can demand very high floor prices in these contracts.

*Gene Clark significantly contributed to the 304-page uranium textbook, entitled **Investing in the Great Uranium Bull Market**. He has become a frequent contributor to **StockInterview.com** and is often called upon his insights and commentary into developing stories on the uranium price.*

More Info:
<http://bookstore.stockinterview.com>



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