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INDUSTRY | COMMENT

JANUARY 25, 2011

Uranium Weekly

Ux Spot Price up \$2.00/lb to \$70.00/lb; TradeTech up \$2.50/lb to \$69.00/lb

Event

- **Ux spot price indicator increased \$2.00/lb to \$70.00/lb, and TradeTech was up \$2.50/lb to \$69.00/lb.** Ux reported that demand is still emerging, even as the uranium price continues to move up.
- Ux reported 3.4 million pounds U_3O_8 under 18 transactions in January 2011 month to date. A non-U.S. utility re-entered the spot market for 400,000 pounds U_3O_8 with delivery through July 31, 2011, with offers due January 26, 2011.
- The 2010 spot transactions volume was 49.5 million pounds U_3O_8 under 269 transactions. The 2009 spot transactions volume was 50.4 million pounds U_3O_8 in 220 transactions.

Term Market

- **Ux term price indicator was unchanged at \$65.00/lb, and TradeTech was unchanged at \$67.00/lb (quoted monthly at month end).** Ux expects term market activity to pick up in the next few months as utilities in Europe, North America, and Asia review long term positions and start to lock-in supply.
- A U.S. utility continues to evaluate offers for 3.5 million pounds as either UF_6 or U_3O_8 . The delivery term involves 1 million pounds and 2.5 million pounds U_3O_8 with delivery over 2012-2016 and 2017-2021, respectively.
- A non-U.S. utility is evaluating offers based on its term request.
- Several utilities are preparing to enter the term market in the coming weeks, and are deciding when and for what quantities to formally submit term requests.

Uranium Participation Corp.

- **Uranium Participation Corp. (UPC) traded down 3.3% over the past week to close at C\$8.38 per share**
- **We estimate UPC is discounting a uranium price of \$65.63/lb, a 6.2% discount to spot. Last week we estimated that UPC discounted a uranium price of \$69.35/lb, a 2.0% premium to the then-prevailing spot price.**

Priced as of prior trading day's market close, EST (unless otherwise noted).
All values in USD unless otherwise noted.

For Required Non-U.S. Analyst and Conflicts Disclosures, see page 6.

Exhibit 1: UxC and TradeTech Spot & LT Prices

Ux U ₃ O ₈ Spot Price (January 24, 2011)	US\$70.00/lb	↑ US\$2.00
Ux LT U ₃ O ₈ Price (December 27, 2010)	US\$65.00/lb	No change
TradeTech Spot Price (January 21, 2011)	US\$69.00/lb	↑ US\$2.50
TradeTech LT Price (December 31, 2010)	US\$67.00/lb	No change

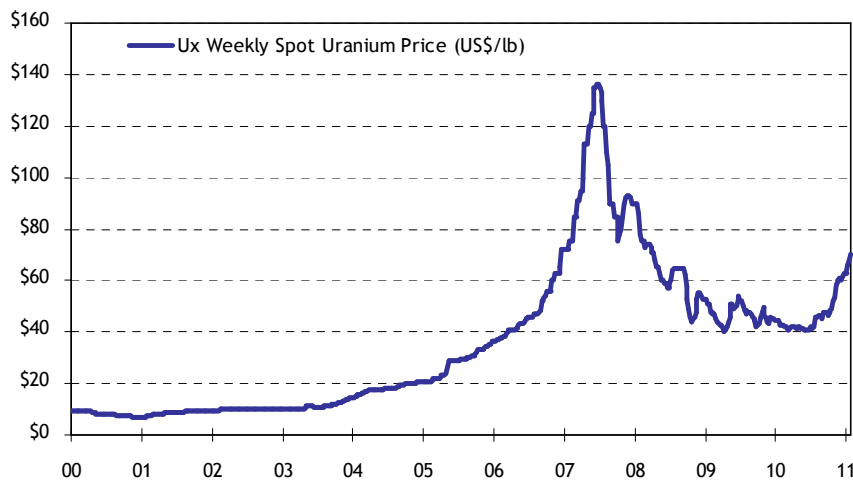
Source: The Ux Consulting Company, LLC, TradeTech

Exhibit 2: RBCCM Price Forecast (\$/lb U₃O₈)

2006A	2007A	2008A	2009A	2010A	2011E	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	Long-term
\$47.91	\$98.68	\$63.03	\$46.66	\$46.46	\$65.00	\$75.00	\$80.00	\$80.00	\$80.00	\$80.00	\$80.00	\$80.00	\$70.00	\$55.00
YTD Average Spot Price					\$66.63									

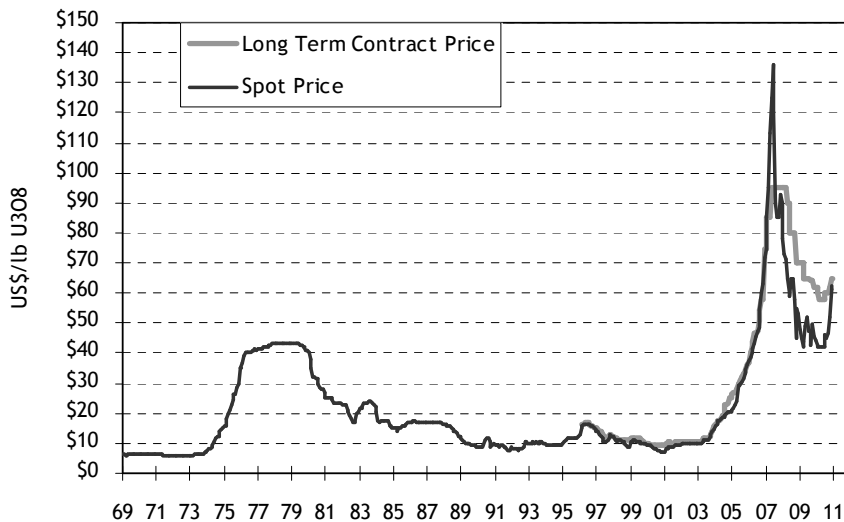
Source: The Ux Consulting Company, LLC, RBC Capital Markets estimates

Exhibit 3: U₃O₈ Spot Price (US\$/lb, Weekly)



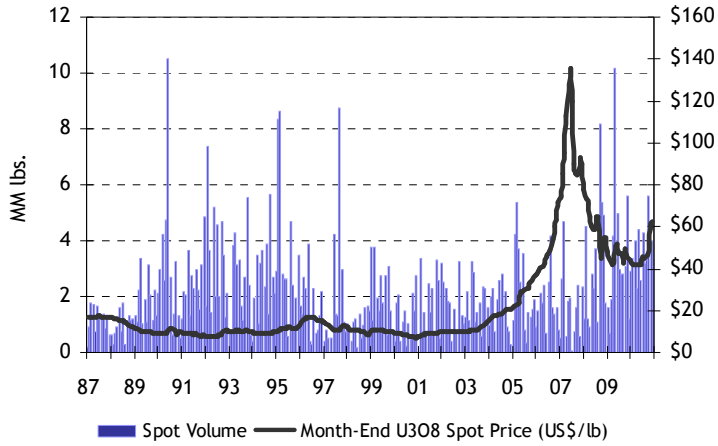
Source: The Ux Consulting Company, LLC.

Exhibit 4: U₃O₈ - Spot and Term Contract Price (US\$/lb, Monthly)



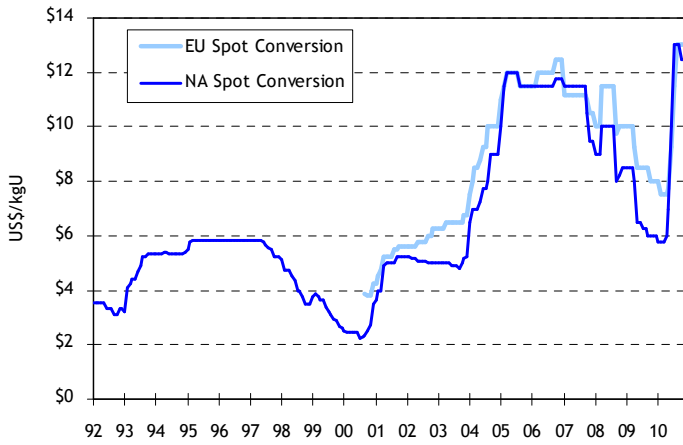
Source: The Ux Consulting Company, LLC. Note: Prior to March 1987, price data from Nuexco/Tradetech.

Exhibit 5: U₃O₈ - Spot Volume vs. Spot Price (US\$/lb, MM lbs, Monthly)



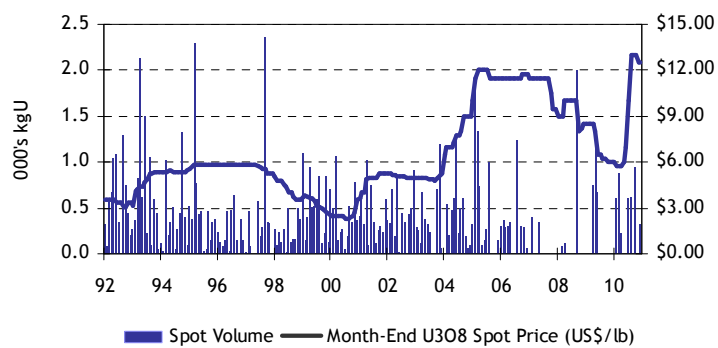
Source: The Ux Consulting Company, LLC.

Exhibit 6: Month End Conversion Prices (US\$/kgU, Monthly)



Source: The Ux Consulting Company, LLC

Exhibit 7: Conversion Volume (000 kgU, total) vs. NA Conversion Price (US\$/kgU, Monthly)



Source: The Ux Consulting Company, LLC

Appendix: Uranium Participation Corporation



RBC Capital Markets®

Global Mining Research

Uranium Participation Corporation - Summary of Holdings and Valuation (U - TSX)

U₃O₈ Spot Price

Current Price (from Ux Consulting) US\$/lb \$70.00
January 24, 2011

Forecast Price US\$/lb **\$75.00**

Conversion Price

Current Price (from Ux Consulting) US\$/kg \$12.50
January 24, 2011

Forecast Price US\$/kg **\$13.00**

Canadian: U.S. Exchange Rate

Current US\$ \$1.01
Forecast US\$ **\$1.00**

Sector Perform

Average Risk

C\$9.25

12-Month Target

Analyst

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Current Share Price C\$8.38

52-Week High C\$8.72

52-Week Low C\$5.08

Market Capitalization (million) C\$891.0

Shares Outstanding (million) 106.3

Float (million) 106.3

Year-end 28-Feb

Reporting Currency C\$

Current Holdings, Costs and Market Values (C\$)

	Volume Held (lbs/kgU)	Cost Base (C\$ 000)	Market Value (C\$ 000)
U3O8	7,250,000	342,495	504,912
UF6	2,374,230	389,998	461,557
U3O8 Equivalent/Total	13,453,507	732,493	966,469

Per Share	\$0.13	\$6.89	\$9.09
Other Net Assets			-\$0.32
NAV (at spot prices and exchange rates)			\$8.77

Net Asset Value Forecast (C\$ 000 or per share)

Valued at \$75.00/lb U3O8; \$1.00 CAD:USD Exchange Rate; \$13.00 US\$/kg Conversion Price
Pro-Forma Balance sheet updated as of Q2/2010

	Target Valuation
Assets	
Investments at Market Value	1,039,878
Cash and equivalents	22,348
Sundry receivables	745
Future income tax asset	13,121
Total Assets	1,076,092
Liabilities	
Accounts payable and accruals	1,216
Other liabilities	155
Future income tax liability	90,856
Total Liabilities	92,227
Net Asset Value	983,865
Net Asset Value per Share	\$9.25
Target NAV Multiple	1.0x
Target Price	\$9.25

Target Price Sensitivities

\$5/lb Change in U3O8 Price	\$0.67
\$0.01 Change in CAD:USD	\$0.06

Current Price of U₃O₈ Implied by Share Price (US\$/lb) **\$65.63**
Premium/(Discount) to Recent Spot **(6.2%)**

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Source: Company reports, RBC Capital Market estimates

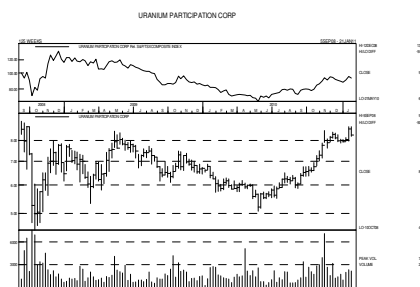
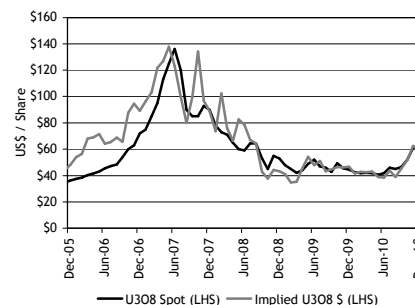
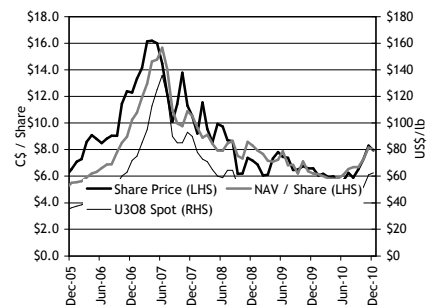


Chart priced as of market close, January 24, 2011



Uranium Participation Corporation Valuation

Our price target of C\$9.25 per share is calculated by applying a 1.0x multiple to the company's NAV, which is calculated using the company's current inventory of uranium and our forecast 2012E uranium spot price (US\$75.00/lb U₃O₈), conversion price (US\$13.00/kg UF₆), as well as the USD/CAD exchange rate (US\$1.00). We also adjust for changes to non-investment net assets (including income tax liability).

Price Target Impediments

Impediments to our target price include a sustained decline in the uranium spot price, a strengthening of the Canadian dollar relative to the U.S. dollar, an increase in the statutory tax rate in the countries in which UPC operates or the adoption of an exit strategy which would involve UPC selling all of its uranium inventory in the spot market.

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Average Risk (Avg): Volatility and risk expected to be comparable to sector; average revenue and earnings predictability; no significant cash flow/financing concerns over coming 12-24 months; fairly liquid.

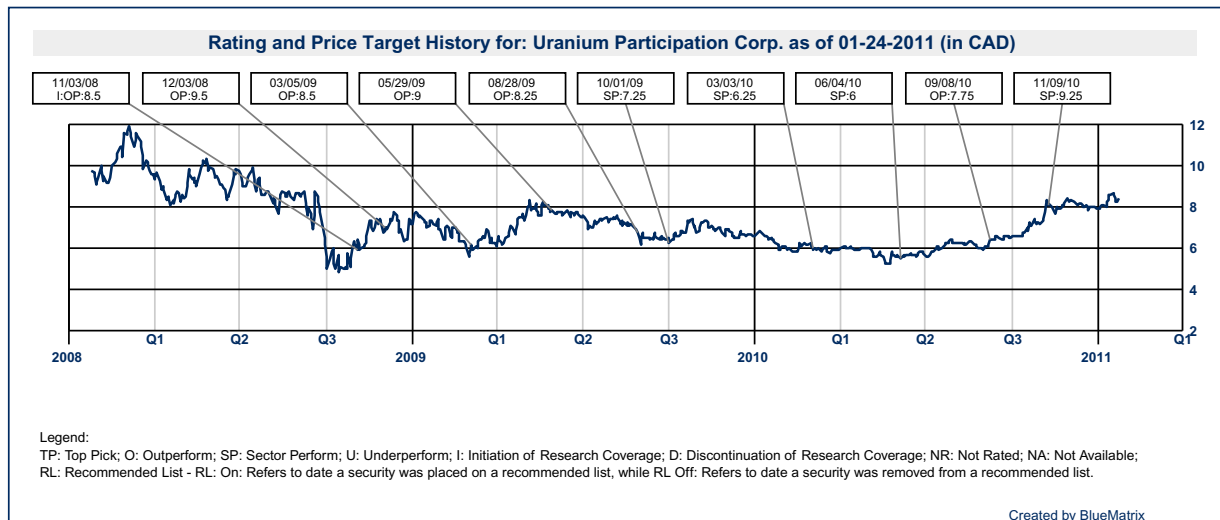
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			Count	Percent
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HOLD[SP]	616	45.30	131	21.27
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