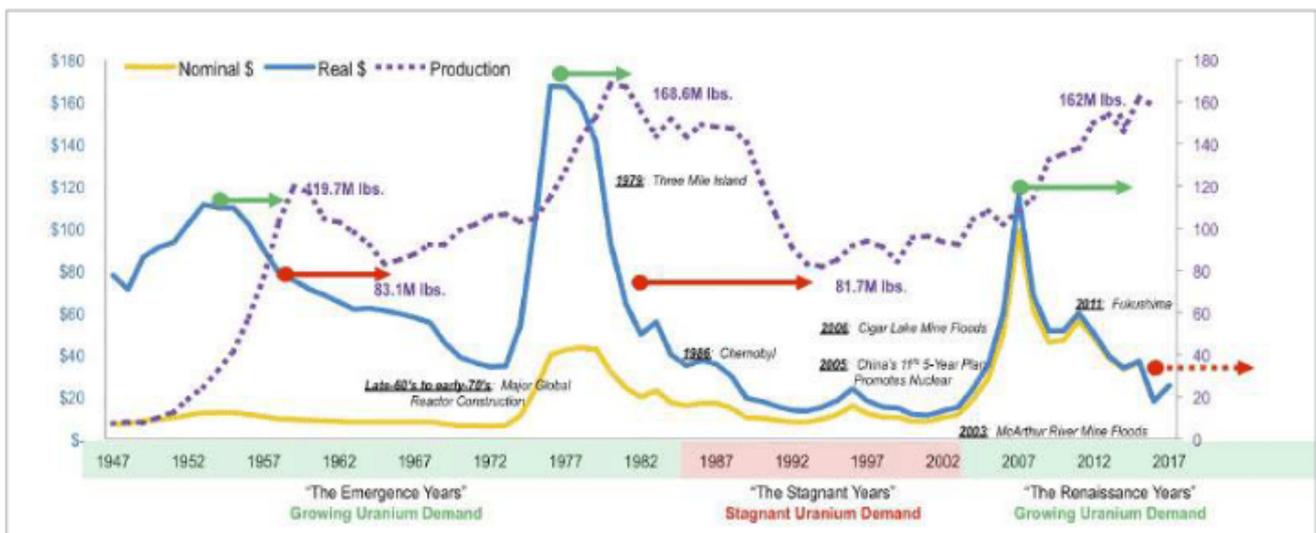


Is the Uranium sector about to come back to life?

Nuclear Power is currently a much needed source of global base load power. After the Fukushima disaster in 2011 the industry has had a severe slowdown; however signs of life are emerging as the world moves to a safer nuclear solution. The uranium metal price is accordingly showing some early signs of recovery. The chart below gives a great long term perspective, also showing uranium prices are still near historic lows.



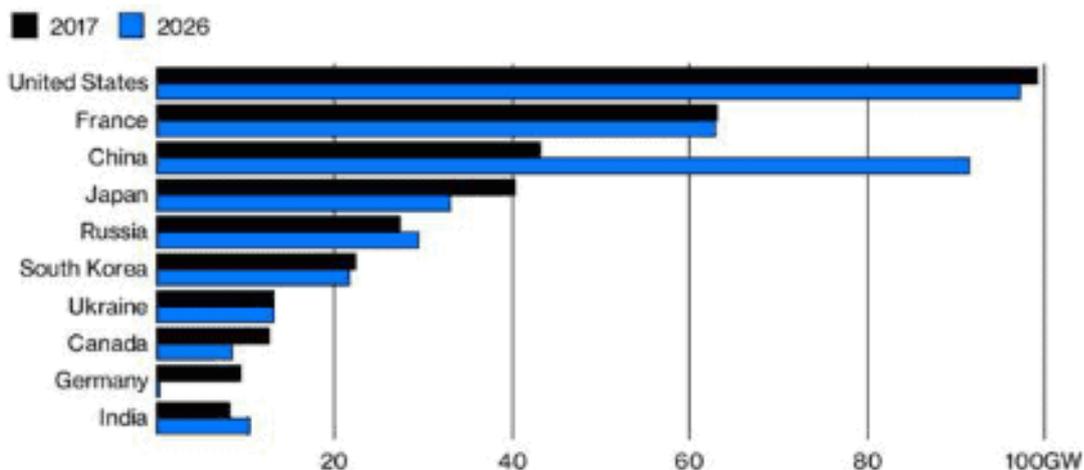
Uranium price and production graph 1947 to 2018

Global nuclear demand and supply forecasts

Currently in more than 12 countries, 71 nuclear reactors are under construction, 165 are planned, and 315 are proposed. China plans to spend \$2.4 trillion to expand its nuclear power generation by 6,600%. Demand side growth in new nuclear reactors continue to grow with 'first fills' for new reactors requiring three times the uranium up front as annual burn. Japan is restarting idled capacity, and the primary producers are cutting back on production. The graph below shows the large increase in nuclear power plants that are expected to come from China.

Go Nuclear

China on path to challenge U.S. as home of atomic power



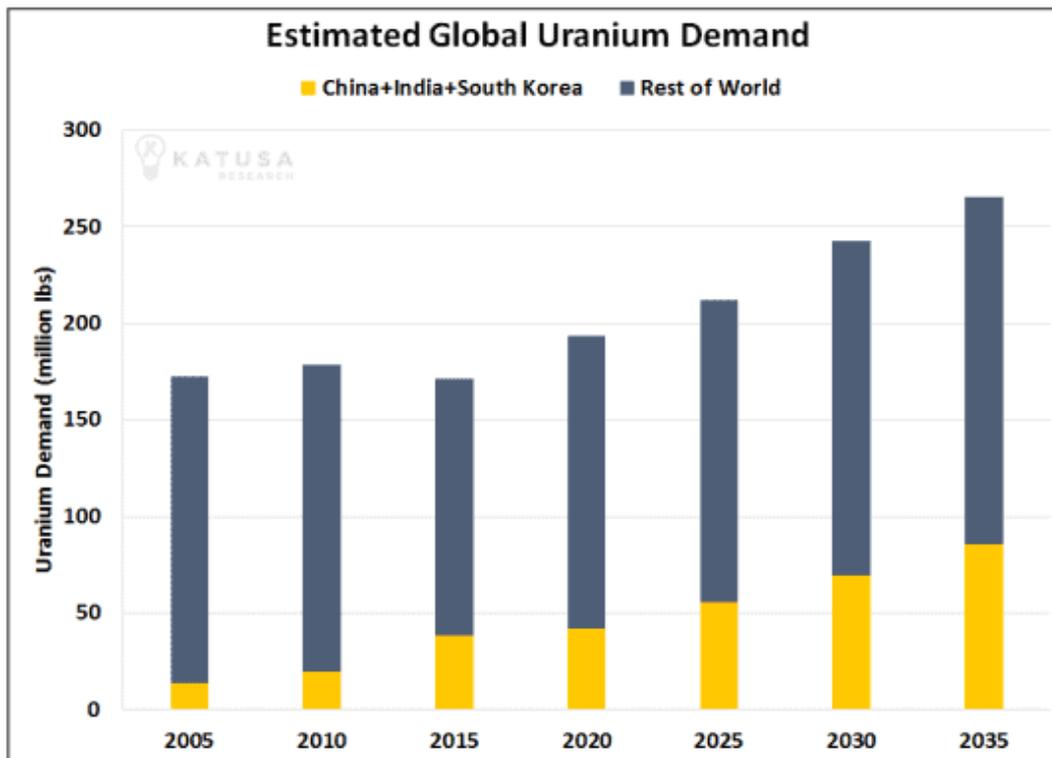
Data: BMI Research; graphic by Bloomberg Businessweek

Nuclear forecast growth 2017 to 2026

World Nuclear.org quotes the International Energy Agency (IEA) 2017 report which states: "In the Sustainable Development Scenario, low-carbon sources double their share in the energy mix to 40% in 2040, all avenues to improve efficiency are pursued, coal demand goes into an immediate decline and oil consumption peaks soon thereafter. Power generation is all but decarbonised, relying by 2040 on generation from renewables (over 60%), nuclear power (15%) as well as a contribution from carbon capture and storage (6%) – a technology that plays an equally significant role in cutting emissions from the industry sector." Nuclear is currently about 11% of electricity supply. "The IEA's 'New Policies Scenario' sees installed nuclear capacity growth of over 25% from 2015 (about 404 GWe) to 2040 (about 516 GWe). "

Global uranium demand

Morning Star expects global uranium demand to rise roughly 40% by 2025. They forecast that low secondary supplies will cause shortfalls and that this will affect price negotiations by 2019. To encourage new supply, expected price should rise to around \$65 per pound. Marin Katusa's research, shown below, forecasts a steady increase in global uranium demand, mostly due to China, India and South Korea.



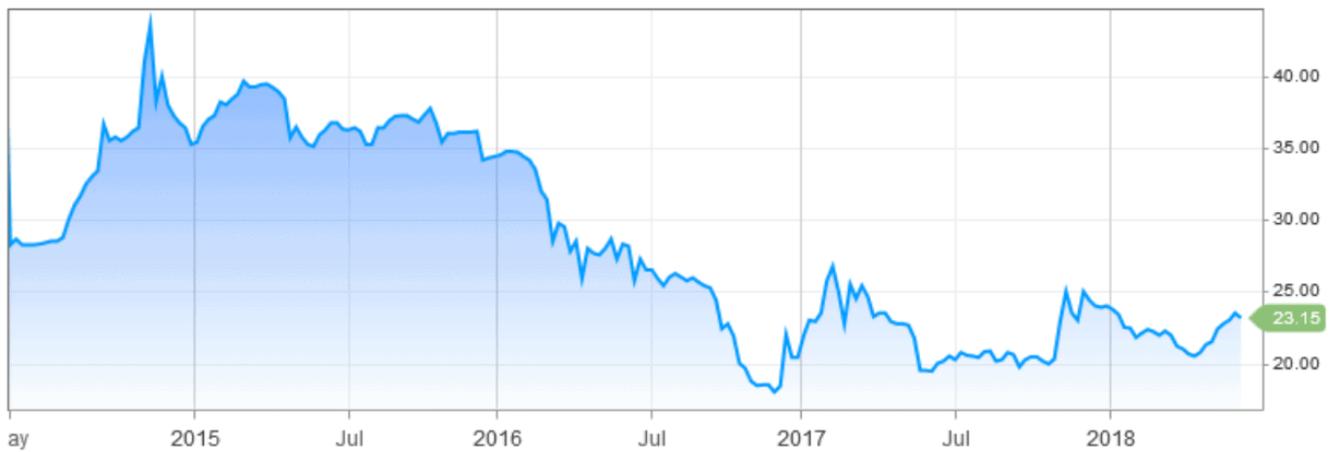
Katusa Research: Estimated global uranium demand.

Global uranium supply

In 2017, Cameco and Kazatomprom announced production cuts in an attempt to reverse the past oversupply problem. This is starting to have an impact on the market now.

According to the uranium report 2018 by Swiss Resource Capital AG: "Today only 90% of the global uranium demand can be satisfied by producing mines."

As the uranium price starts to rise this confirms the above research thesis. That is, rising demand and falling supply is resulting in an increasing uranium spot price.



CNBC: Uranium 5 year spot price graph

The recent upturn in uranium prices has many analysts and industry experts asking the question: “Is the Uranium sector about to come back to life?” An increasing group is beginning to build a strong case for a uranium price recovery, especially when given most uranium producers struggle to be profitable at today’s low uranium prices.

It appears to me that if demand continues to grow strongly then we may well be witnessing a recovery in the uranium sector after a nasty bear market since 2008. Politics will no doubt play a crucial role, as the various Governments decide if nuclear is appropriate for their country. Investors would be wise to take an interest now, as legendary mining investor Rick Rule said: “Bear Markets are the authors of Bull Markets.”