



Market in Transition

Incentivizing New Production

Mobile uranium inventories have continued to decline at an accelerated rate over the last three years, driven by many factors, including: COVID-19 pandemic production declines, utility inventory drawdown, the advent of the Sprott Physical Uranium Trust (SPUT), and strategic acquisitions by junior uranium companies to support future project financing efforts. SPUT has purchased more than 40 million pounds U_3O_8 since its advent in July 2021, or about 43% of all spot purchases in the market.

Apart from the above-mentioned factors, geopolitical risk has weighed more heavily on the uranium market over the last year and a half, beginning with

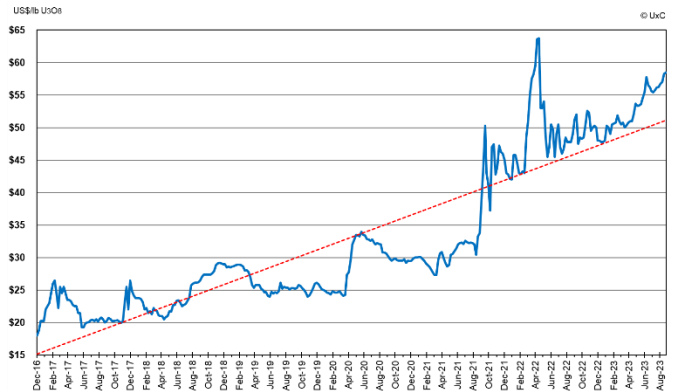


Low global primary production, the accelerated decline of mobile inventories, and heightened geopolitical risk are expected to contribute to higher uranium prices going forward.

Russia's invasion of Ukraine in February 2022, followed more recently by a military coup in Niger that could threaten uranium exports and future project development. The spot uranium price has reacted strongly to these geopolitical events, increasing by 36% from \$43.00 in late February 2022 to its current level of \$58.50. As a result of heightened geopolitical risk, utilities have shifted their contracting focus to the term market to meet unfilled needs in the second half of this decade and into the 2030s, and utilities with existing Russian enriched uranium contracts are actively seeking replacement supplies in the market.

Given past cuts to primary production and inventory optimization by utilities and producers, the uranium market is becoming production-driven, where spot and long-term prices more closely correlate to the marginal cost of uranium production. Accordingly, several producers have announced production restarts from idle mines in the last year and a half. Kazatomprom also plans to increase future Kazakh production above the current 80% target level in the years ahead.

Although global reactor requirements are quite flat through 2024, UxC forecasts that significant demand growth from 2025 to 2040 will necessitate new production as resources are exhausted at several uranium projects. In addition to transitioning to a production-driven market, a large percentage of production exists in regions of the world with



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high geopolitical risk, which makes the market vulnerable to future disruptions and price volatility.

UxC's *Uranium Market Outlook* (UMO) report is designed to examine developments and discern trends in the uranium market, including the likely future course of prices under different market scenarios. The UMO is updated quarterly to provide subscribers with the latest information and analyses on which to base their decisions. Updates of leading market indicators are also provided on a monthly basis to ensure you are current with the latest trends and developments in the uranium market.

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