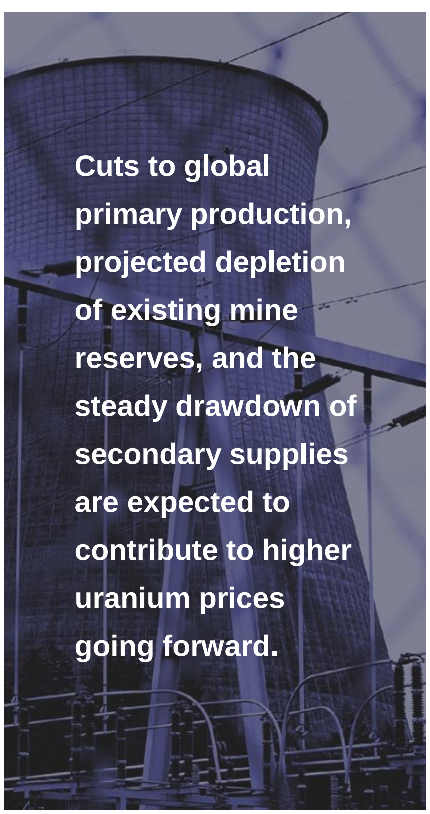
Uranium Market Outlook

Navigating Market Volatility

Rebalancing Supply to Demand

Over the last few months, the uranium market has experienced a significant shift, with the Ux U_3O_8 Price coming under upward pressure since bottoming out at $18 per pound in December 2016. The recent price rebound is in reaction to suppliers finally cutting significant production volumes in response to lower planned uranium demand from key countries – China, Japan, Germany, South Korea, Taiwan, and the U.S. – since 2011.

Significant primary production cuts did not occur until 2017, led by Cameco, Kazatomprom, and Orano. Outside of a small decline in 2014, last year marked the first meaningful reduction to primary production since 2011, as world production fell by 5% to 155 million pounds U_3O_8 from 162 million pounds U_3O_8 in 2016.

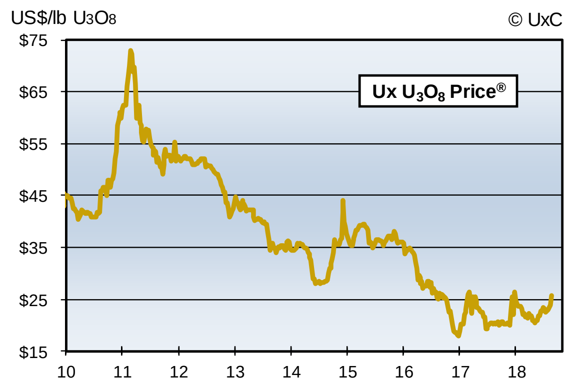


Additionally, in May 2018, Kazatomprom said it would further cut Kazakh production and Paladin Energy placed its Langer Heinrich mine on care and maintenance. Cameco followed suit in July 2018, announcing that it would indefinitely suspend McArthur River production, thus eliminating a significant amount of forward production. As more primary production is cut, and suppliers elect to purchase available lower-cost secondary supplies, spot prices are under upward pressure, which is further enhanced by the entry of financial players as buyers, especially with the recent Yellow Cake investment fund purchase of over 8 million pounds U_3O_8.

Meanwhile, the role that various trade actions in the U.S. and elsewhere could play in the market remains to be seen, but the added uncertainty of issues such as the recent Section 232 investigation may help to further propel uranium prices in the coming months.

Although reactor requirements are relatively flat through 2025, cuts to existing production, depletion of some existing mines, and the drawdown of secondary supplies are expected to contribute to higher prices going forward. Additionally, a number of long-term legacy contracts roll off over the next few years, so utilities may soon be focusing on securing new term contracts.

As reactor requirements grow over the long-term, new production will be needed. In addition to transitioning to a more production-driven market, a large component of production exists in regions of the world with higher geopolitical risk, making the market vulnerable to future disruptions and price volatility.



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