

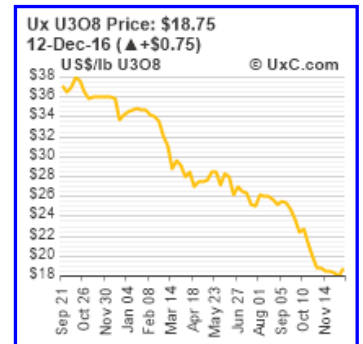
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Uranium Market Outlook



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► U3O8 price appears to have bottomed finally



Having touched a 12-year low of \$ 18.25 on November 25, 2016, in the first two weeks of December the U3O8 spot price slightly recovered by \$ 0.50 to \$ 18.75. The long-term U3O8 price consolidated at \$ 33.00. Compared with a 2015 year-end price of \$ 44.00, this is well below the level of long-term delivery contracts.

Consequently, increasing negative operating cash flows have severely affected funding of on-going activities and did put a growing number of projects on hold.

Primarily, long delays in the process of 24 restart approvals of nuclear reactors in Japan, due to rulings and local concerns enhanced by tightened safety procedures, are responsible for the crisis in the uranium industry in the last few years. Although uranium demand is expected to benefit from strong future growth of nuclear plant constructions in China, Russia and India, it will take another few years before uranium demand will meet supply.

Also, it should be recognised that in Europe the number of nuclear reactors will decline since Germany has phased out nuclear energy, with a total of 17 reactors to be shut down by 2025, and in addition France having decided to cut its currently excessive nuclear energy share of approximately 77% (58 reactors operable) in total electricity consumption to 40-50% by 2025 to the benefit of renewable energy.

With nuclear energy being considered as key contributor to decarbonize the EU, as referred to in a paper published by FORATOM, the European Atomic Force, a controversial policy in Germany and France, and in addition Italy's ant-nuclear policy, are jeopardizing EU's new climate change policy objectives, as laid down in the Energy Road Map 2050.

► Paris climate target very difficult without nuclear energy, according to IEA

Wind and solar are transforming the electricity industry, but not fast enough to put the world on track for the UN-FCCC's Paris Climate Agreement to hold the global temperature increase target well below 2°C, according to László Varró, chief economist of the International Energy Agency (IEA). This confirms my own view, as expressed in my monthly published Uranium Market Outlooks since the Paris Climate Agreement in December last year, which entered into force on 4 November 2016.

This "climate stabilization target" needs nuclear power to play a significant role in the low-carbon power mix, Varró told delegates at the Budapest Energy Summit on 5 December 2016.

The 450 Scenario sets out an energy pathway consistent with the goal of limiting the global increase in temperature to 2°C above pre-industrial levels by limiting concentrations of greenhouse gasses in the atmosphere to around 450 parts per million of carbon dioxide.

In this scenario, low-carbon energy sources dominate the generation mix. Hydro generation 20%, nuclear 18%, wind 18% and solar PV 9%, for a total of 65%.

Fossil fuels generation declines sharply, with gas supplying 16%, coal 9% and oil 1%. The remaining 9% is supplied by a range of other low-carbon sources, for a total of 35%.

However, with China and the USA responsible by far for CO2 emission, with 10.54 million kt and 5.33 million kt in 2014, respectively, which combines 44% of the world total of 35.67 million kt, the Paris Climate Agreement targets are not achievable.

In China more than 61% of energy generation comes from coal, which means that transforming the electricity industry from fossil fuels to renewable sources and nuclear energy, will be limited to a share of approximately 6% each by 2030.

OVERVIEW OF U3O8 PRICES						
	Spot	Long-term		Spot	Long-term	
2016						
December 14	18.75	33.00	Year-end 2015	34.25	44.00	
November 28	18.25 *	33.00	May 31, 2015 (year high)	39.50	50.00	
November 14	18.50		Year-end 2014	35.50	49.00	
October 31	18.75	35.50	May 14, 2014 (year low)	28.25	49.00	
September 26	23.75	38.00	Year-end 2013	34.50	50.00	
August 29	25.25	38.00	Year-end 2012	43.50	56.50	
July 25	25.00	40.50	Year-end 2011	61.75	64.00	
June 27	27.00	40.50				
June 20	26.15	41.00	Pre-Fukushima accident			
May 30	27.25	41.00	March 11, 2011	67.75	73.00	
April 25	27.50	43.50				
March 28	29.15	43.50				
February 29	33.50	44.00				
January 31	34.75	44.00				
* <i>spot price 12-year low</i>						

In regards to the USA, President elect Donald Trump has threatened to reverse the country's signature under the Paris Climate Agreement, as it would be against his "America first" policy, to protect the gas and oil industry in the USA. In 2014 this industry represented 67% from electricity generation, 19.5% from hydro and only 7.1% from other renewables. These figures demonstrate that even when the USA will not withdraw from the Paris Climate Agreement, their signature is only of symbolic nature, like it is for China.

In addition to China and India, the European Union is responsible for 5.33 million kt in 2014, corresponding with almost 10% of the world total.

Comments to 2016 Shortlist of uranium investment recommendations:

Despite the continuing fall of the spot and long-term U3O8 prices, the market performance of my 2016 shortlist of uranium investment recommendations, showing a gain of 4.1% in the first 11 months of 2016, remains positive.

While the investment quality segment of uranium producers having shown a significant negative market performance, 3 out of the advanced development companies strongly outperformed the market, including Berkeley Energia (+57%), A-Cap Resources (+50%) and UEX (+17%).

In the segment exploration/development companies, GoviEx, focused on Niger strongly outperformed the market with a gain of 111%, followed by Purepoint Uranium, focused on Canada's Athabasca Basin having gained 37%.

In my selection of Special Situations, Khan Resources and Mega Uranium gained 106% and 90%, respectively.

2016 SHORTLIST OF URANIUM INVESTMENT RECOMMENDATIONS as at 30 November, 2016

Company	Focus	Trading symbol		Share price		Change		Market	Market	Change
				30 Nov. 2016	Year-end 2015	in % local	US\$	Capitalization 30 Nov.2016	Capitalization year-end 2015	in % 2016/2015
Producers (4)				Cdn\$	Cdn\$			US\$ mln.	US\$ mln.	
Cameco	Canada	ABX	TSX	12.360	17.070	-28	-27	3.620.0	4.864.5	-26
				US\$	US\$					
Ur-Energy	United States	URG	NYSE	0.450	0.650	-31	-31	65	84.6	-23
				A\$	A\$					
Paladin Energy	Namibia	PDN	ASX	0.080	0.240	-67	-65	103	300.1	-66
Energy Resources of Australia	Australia	ERA	ASX	0.330	0.360	-8	-8	128	136.1	-6
Advanced development companies (5)				Cdn\$	Cdn\$					
Denison Mines	Canada	DML	TSX	0.570	0.630 1)	-10	-20	225	257 1)	-12
UEX	Canada	UEX	TSX	0.175	0.150	17	16	38	26.6	43
				A\$	A\$					
Berkeley Energia	Spain	BKY	ASX	0.770	0.490	57	55	137	65.0	111
Vimy Resources	Australia	VMY	ASX	0.260	0.360	-28	-27	54	60.0	-10
A-Cap Resources	Botswana	ACB	ASX	0.060	0.040 3)	50	46	39	7.0 3)	457
Exploration/development companies (10)				Cdn\$	Cdn\$					
Laramide Resources	Australia/US	LAM	TSX	0.225	0.285	-21	-20	16	17.4	-8
GoviEx	Niger	GXU	CNSX	0.095	0.045	111	108	19	4.8	296
Forsys Metals	Namibia	FSY	TSX	0.070	0.080	-13	-12	8	7.8	-3
CanAlaska Uranium	Canada	CVV	TSX	0.405	0.420 2)	-4	-10	11	7.5 2)	47
Purepoint Uranium	Canada	PTU	TSX.V	0.095	0.075 1)	27	37	17	10 1)	70
				A\$	A\$					
Boss Resources	Australia/US	BOE	ASX	0.050	0.050 3)	0	-4	34	31.0 3)	10
Cauldron Energy	Australia/US	CXU	ASX	0.050	0.120	-58	-57	16	23.7	-32
Deep Yellow	Namibia	DYL	ASX	0.010	0.010	0	0	19	14.0	36
Bannerman Resources	Namibia	BMN	ASX	0.030	0.030	0	0	19	8.7	118
Others - special situations(2)				Cdn\$	Cdn\$					
Mega Uranium	Australia	MGA	TSX	0.135	0.070	93	90	28	14.2	97
1) included as at 1 June 2016										
2) included as at 1 May 2016										
3) included as at 1 August 2016										
Removed as at:				31/8	31/12					
1 September 2016:				US\$	US\$					
Uranium Resources	US / Turkey	URRE	NASDAQ	1.280	6.240		-75			-61
				Cdn\$	Cdn\$					
Khan Resources	Mongolia	KRI	CNSX	0.880	0.440		106			121
				31/5	31/12					
1 June 2016:				A\$	A\$					
Toro Energy	Australia	TOE	ASX	0.060	0.070		-11			-11
Market performance 2016 (in US\$) as at 30 November 2016: 4.1%										
Market capitalization increase 2016 (in US\$) as at 30 November 2016: 57.4%										