

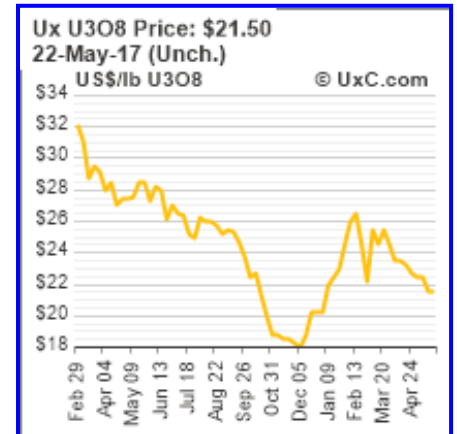
May 2017

Uranium Market Outlook



Marino G. Pieterse, publisher and editor

► Lack of strategic fighting spirit of Western uranium industry puts its future in the hands of China



In earlier issues of my **Uranium Market Outlook** I already noted that the longer than expected recovery of uranium prices is causing operational problems. More than five years after the Fukushima disaster in March 2011, the status of the Western uranium industry has never been that bad, resulting in operational problems of the only 7 listed global Western uranium producers, including **Uranium Energy**, **Energy Fuels**, **Ur-Energy** and **Peninsula Energy**, all focused in the United States, **Cameco** focused on Canada, **ERA** (68% owned by Rio Tinto) focused on Australia and **Paladin Energy** focused on Namibia, where the existence of its flagship Langer Heinrich Mine, controlled 75% by owner CNNC of China.

Together, the 7 uranium producers had a market valuation of only US\$ 5 billion as at the end of April 2017, of which US\$ 3.8 billion or 76% is accounted for by **Cameco**, the world's largest single uranium producer which focuses on the Athabasca Basin, the world's largest and richest uranium region. Cameco distinguishes itself the world's only producer ensuring continuing safe, reliable, low-cost production from its tier-one assets – McArthur River / Key Lake and Cigar Lake and in addition having a 40% interest in the producing JV Inkai in Kazakhstan with government-owned Kazatomprom holding a 60% controlling interest.

In my monthly updated overviews of uranium companies also a specific overview of the market valuation of the world's 9 future generation of uranium producers is included, of which 2 companies, **Denison Mines**, Canada's most advanced development company and **UEX**, both focused on Canada's Athabasca Basin; 2 companies, **Toro Energy** and **Vimy Resources** focused on Australia; 1 company, **Berkeley Energia**, the most advanced development company close to production focused on Spain; 2 companies, **Bannerman Resources** and **Deep Yellow** focused on Namibia; 1 company **GoviEx Uranium**, focused on Niger and a number of other African companies, after a take-over transaction with Denison Mines; and **A-Cap Resources**, focused on Botswana.

These 9 companies represent a total market valuation of only US\$ 727 million, of which US\$ 286 million contributed by **Denison Mines** and US\$ 134 million by **Berkeley Energia**. These two companies account for 57% of the total market valuation of the future generation of uranium producers.

In April 2012, China Guangdong Nuclear Power completed a A\$ 2.2 billion acquisition of **Extract Resources**, Namibia's most advanced development company at that time.

During the post-Fukushima period the average market valuation of uranium producers and advanced development companies collapsed by 82% and 70%, respectively. Over the same period, the U3O8 spot price and long-term price fell 64% and 48% from US\$ 62.00 and US\$ 65.00, respectively

Based on these facts, it is crystal clear that U3O8 prices have to double to justify optimism on a resurrection of the economic viability of the projects of producers and advanced development companies, for which in general no impairment charges have been made in spite of too high calculated uranium prices in feasibility studies.

OVERVIEW of U3O8 PRICES					
	Spot	Long-term		Spot	Long-term
2017					
May 22	21.50	33.00	Year-end 2016	20.25	30.00
May 1	22.50	33.00	Year-end 2015	34.25	44.00
March 27	24.50	33.99	May 31, 2015 (year high)	39.50	50.00
February 28	22.25	32.50	Year-end 2014	35.50	49.00
February 6 (high)	26.00	32.50	May 14, 2014 (year low)	28.25	49.00
January 31	24.50	32.50	Year-end 2013	34.50	50.00
January 9	22.00	30.00	Year-end 2012	43.50	56.50
2016			Year-end 2011	61.75	64.00
December 26	20.25	30.00			
December 14	18.75	30.00	Pre-Fukushima accident		
November 28	18.00 *	33.00	March 11, 2011	67.75	73.00
October 31	18.75	35.50			
September 26	23.75	38.00			
August 29	25.25	38.00			
July 25	25.00	40.50			
June 27	27.00	40.50			
June 20	26.15	41.00			
May 30	27.25	41.00			
April 25	27.50	43.50			
March 28	29.15	43.50			
February 29	33.50	44.00			
January 31	34.75	44.00			

* spot price 12-year low

This means that the calculated net asset value and shareholder value of most uranium advanced development projects are overstated and don't justify optimism on full recovery of uranium prices to pre-Fukushima highs.

Nevertheless, from a speculative point of view uranium equity markets have shown a significant interim investment leverage potential, like in Q4 2016, when U3O8 prices moved temporarily higher, but followed by another correction to US\$ 21.50/lb to date.

In this respect, I refer to the unrivalled performance of my 2016 Shortlist of uranium investment recommendations, in particular thanks to some early selected special situations, which will remain my investment policy for 2017.

World's Top-10 uranium exploration/development companies focused on traditional countries				
	Trade symbol	Share price	Country	Market
		25/5/2017	focus	valuation
				US\$ million
NexGen Energy	TSX.V NXE	C\$ 3.04	Canada	691
Denison Mines	TSX DML	C\$ 0.61	Canada	253
Fission Uranium	TSX FCU	C\$ 0.64	Canada	230
Toro Energy	ASX TOE	A\$ 0.04	Australia	53
UEX	TSX UEX	C\$ 0.22	Canada	51
Vimyr Resources	ASX VMY	A\$ 0.20	Australia	46
Boss Resources	ASX BOE	A\$ 0.05	Australia	38
Laramide Resources	TSX LAM	C\$ 0.34	Australia/USA	29
Western Uranium	OTC WSTRF	US\$ 1.20	USA	24
Kivalliq Energy	TSX.V KIV	C\$ 0.11	Canada	19
Total market capitalization				1,432

World's Top-10 uranium exploration/development companies focused on emerging countries				
	Trade symbol	Share price	Country	Market
		25/5/2017	focus	valuation
				US\$ million
Berkeley Energia	ASX BKY	A\$ 0.81	Spain	155
GovEx	TSX.V GXU	C\$ 0.20	Niger/other	48
			African countries	
A-Cap Resources	ASX ACB	A\$ 0.07	Botswana	44
Uranium Resources	NASDAQ URRE	US\$ 1.50	Turkey/USA	37
Bannerman Resources	ASX BMN	A\$ 0.05	Namibia	29
Deep Yellow	ASX DYL	A\$ 0.24	Namibia	23
Plateau Uranium	TSX.V PLU	C\$ 0.37	Peru	16
Aura Energy	ASX AEE	A\$ 0.03	Mauretania	15
Forsys Metals	OTC FSY	US\$ 0.09	Sweden/Namibia	13
Blue Sky Uranium	TSX.V BSK	C\$ 0.18	Argentina	7
Total market capitalization				387