

MZConsulting Mid-Year Message 2015



Japan is continuing to struggle with bringing units back on line although the first unit is now expected to restart in a matter of weeks. In Germany, Grafenrheinfeld has been permanently shut down as they work towards their goal of removing nuclear from the mix. This was all made up for in China, where there are already 5 new units in operation so far this year. Meanwhile good news in the USA is Watts Bar 2, the first new unit in 20 years, is approaching commercial operation.

The spot price of uranium showed some promise early in the year peaking at just under \$40/lb; but then fell back to about where it started the year and is now \$36.25/lb. While the uranium market remains depressed and timing of increased uranium prices remains uncertain, company consolidation is well underway and governments are again seriously addressing the nuclear option. For those interested in uranium, especially strategic investors, there will never be a better time to secure maximum value for a potential investment.

	Price CDN\$	YTD(%)	1yr(%)	1yr(%)	1yr (%)	1yr (%)
Company	June 30/15	June 30/15	2014	2013	2012	2011
Cameco CCO-T	17.87	-6.2	-13.6	+12.5	+6.4	-54.3
Denison DML-T	0.90	-20.4	-12.4	-2.3	-3.1	-62.8
ForsysFYS-T	0.17	0	-59.5	-47.5	+9.6	-75.9
Mega MGA-T	0.08	-36	+38.9	-25	-40	-81.7
Toro TOE-AX	0.64	-20	+9.4	-40.8	+10	-28.6
Paladin PDN-T	0.24	-28.4	-24.7	-59.5	-22.5	-71.7
Energy Fuels EFRT	5.59	-8.2				
Ur Part U-T	5.23	+1.6	-8.8	+4.6	-3.9	-29.0
UEX UEX-T	0.25	-12.2	-27.8	-33	-10.6	-70.7
Ur Energy URE-T	0.97	-2.0	-31.3	+73.5	-4.6	-70.8
UranerzURZ-T	delisted		-0.8	-6.6	-26	-53.6
Fission FCU-T	0.99	+15.1	-19.6			

While slow, Japan makes restart progress

Restarting reactors in Japan continues to be a slow process. With the first Sendai unit finally loading fuel, it appears that indeed it will restart in the weeks ahead. The second unit is expected to follow about two months later. While requests to restart for 25 units have been submitted to the regulator, and there has been progress with the approval process; it is unlikely that any beyond Sendai will restart in 2015. Although it could take 3 to 4 years for a number of Japanese units to restart, Japan has now confirmed its goal of generating 20% from nuclear by 2030.

Nuclear construction is robust

With 66 units under construction around the world, the nuclear industry is alive and well. Although 24 of these are in the country with the world's most ambitious nuclear program, China, there are still 42 units under construction in other countries showing the breadth of nuclear growth.

In the USA, Watts Bar 2 started hot functional testing on its way to becoming the first new nuclear unit to be completed in 20 years. In addition, TVA, its owner, has declared it will apply for an early site permit for a Small Modular Reactor (SMR) at its Clinch River site early in 2016.

2015 a busy time for uranium in Canada, world's second largest producer

After bringing the Cigar Lake mine into production in 2014, Cameco declared it in commercial operation earlier this year, continuing to build back Canada's share of global uranium supply. With over 100 M lbs of resource at an average grade of 15.8%, this will become one of the most important mines producing uranium in the coming years.

Early in the year, Canadian-based Fission Uranium Corp announced a preliminary resource estimate of over 100 Mlbs at its Patterson Lake South (PLS) property. In December 2013, Fission Uranium consolidated 100% ownership of the PLS property by acquiring all of the outstanding shares of Alpha Minerals Inc. In early July, Denison Mining acquired Fission Uranium expanding its presence in Canada's Athabasca Basin, home to the world's richest source of high-grade uranium.

In a rare policy move, the Government of Canada allowed Australia's Paladin Energy Ltd a majority ownership of the Michelin uranium mine in Newfoundland and Labrador. Since 1987, Canada has had a non-resident ownership policy preventing non-Canadian companies from having more than 49% ownership stake in operating uranium mines.

On May 8, 2015 the Nunavut Impact Review Board (NIRB) issued a recommendation that the proposed Kiggavik project not be approved at this time primarily due to the lack of a specific project start date. NIRB suggested the proposal be resubmitted at a future date when the project's start date is more certain. AREVA has disagreed with this recommendation noting there are no significant unresolvable environmental issues in the proposed project.

Other major producing countries active too

Kazakhstan, the world's largest uranium producer, recently signed a contract for delivery of 5000 tons of uranium to India over the next five years. South Australia, the state which hosts the majority of Australia's active uranium mines including the newly opened Four Mile Project, has

launched a royal commission to look at wide-ranging nuclear energy prospects for the State. Australia has the largest uranium resources in the world.

With Four Mile now in operation, the dispute between its major shareholders has been resolved with Alliance selling its interest to Quasar Resources.

Smaller companies continue to work hard to be ready for the future

Forsys Metals is an emerging uranium producer with 100% ownership of the Noresa Project in Namibia. In March Forsys completed a Definitive Feasibility Study (DFS) showing mineral reserves of 90 Mlbs and an operating cost less than today's spot price. Mine construction is anticipated for late 2016 with production expected to start in 2017.

In mid-June, it was announced that US-based Energy Fuels had completed its acquisition of Uranerz Energy Corporation. With the acquisition of Uranerz, Energy Fuels now has In-Situ Recovery (ISR) and conventional uranium production in its portfolio and the ability to significantly increase uranium production in the future as uranium prices rise. Their goal is to become the largest uranium mining company in the U.S., strategically supplying the domestic American nuclear power market. Uranerz's Nichols Ranch is the newest ISR production center in the US and has a licensed capacity of 2 Mlbs of U308 per year.

The addition of Energy Fuels and Uranium Energy to the Russell Indexes reflected favourably on the share prices of both companies.

When will the market see the merit of nuclear energy?

While most news highlights the challenges nuclear is having in a few countries such as Germany, in reality nuclear continues to grow. Better messaging to increase its profile is essential to support future success.

About MZConsulting

MZConsulting advises governments, utilities and others interested in new build nuclear and investment in uranium companies.