



MZConsulting New Year's Message 2015

This past year had a number of setbacks as France formalized its intention to reduce its reliance on nuclear going forward, Sweden pulled back after its most recent election, in Finland the Olkiluoto 3 project was delayed once again and in the US, Vermont Yankee shutdown at year end. On the other hand, restarts are getting closer in Japan, Russia had its largest amount of nuclear generation ever and China continues to exhibit larger than life growth in the nuclear sector. This all gives cause for optimism in 2015.

The spot price of uranium hit lows in the high \$20 range and then showed some upward movement peaking at just under \$45/lb.; but ended the year right back where it started around \$35/lb. This resulted in mergers and restructuring as companies worked to survive. In the long term a supply deficit remains unavoidable which will lead to higher prices to incent the required production. However, the timing of this inevitable increase in prices continues to be very uncertain. It may come within this year or it may be delayed into next year or even longer.

Company	Price CDN\$	1yr (%)	1yr (%)	1yr (%)	1yr (%)	4yr (%)
	Dec 31/14	2014	2013	2012	2011	
Cameco CCO-T	19.05	-13.6	+12.5	+6.4	-54.3	-52.7
Denison DML-T	1.13	-12.4	-2.3	-3.1	-62.8	-66.9
Forsys FYS-T	0.17	-59.5	-47.5	+9.6	-75.9	-94.4
Mega MGA-T	0.125	+38.9	-25	-40.0	-81.7	-88.5
Toro TOE-AX	0.08	+9.4	-40.8	+30	-28.6	-50.0
Paladin PDN-T	0.335	-24.7	-59.5	-22.5	-71.7	-93.3
Powertech PWE-T	delisted		-36	+47	-72.1	
Strathmore STM-T		Delisted		-23.2	-73.0	
Uranium 1 UUU-T		Delisted		+8.8	-54.6	
Ur Part U-T	5.15	-8.8	+4.6	-3.9	-29.0	-35.0
UEX UEX-T	0.285	-27.8	-33	-10.6	-70.7	-87.3
Ur Energy URE-T	0.99	-31.3	+73.5	-4.6	-70.8	-66.8
Uranerz URZ-T	1.27	-0.8	-6.6	-26	-53.6	-68.2
Fission FCU-T	0.86	-19.6				

The market continues to look at Japan for positive news

Restarting reactors in Japan continues to be a slow process. It was the announcement of the first approvals for the two units at Sendai that buoyed both uranium stocks and prices in November. However, as it became apparent that more time was needed to really get these units going the price of uranium fell back to the \$35/lb range and stocks slid as well with

most of them showing significant drops in stock price once again in 2014.

It is now expected a number of Japanese units will be restarted in 2015, especially after the Abe government was re-elected following a snap election. It remains too soon to predict just how many may actually be producing power this year. But it is the first restarts that are so important to create a positive view of the future.

The tide may be turning

While the French moved to ensure their new target of a lower nuclear share, their new Energy Minister has just announced that France should move forward with a new generation of reactor to replace its aging fleet.

In the United States, Vermont Yankee is now shut down and although there should not be a reliability issue as a result, there is an expectation of higher local electricity prices. This shutdown has also incited American nuclear operators to fight back and secure changes to the market that value the many benefits that nuclear provides it. Most recently Exelon has launched a campaign in Illinois to initiate market changes to better support the continuing operation of its nuclear units.

New build did not start in the UK in 2014 as was hoped for, but the business model did get approved by Europe in response to a concern that it would be disallowed state aid. This was a major win and opens the door for a commitment to Hinkley Point C in 2015.

Even with its setbacks due to a document-forging scandal, Korea is moving strongly ahead approving new projects including one new nuclear site.

And then there is China

What can we say about China? Its nuclear program just keeps on growing. Its current targets are 58 GW by 2020 and 130 GW by 2030. This year saw the approval of the Hualong One reactor, a joint effort by both CNNC and CGNPC with a view to eventual exports. On the uranium side, China has been using the recent low prices to build an enviable strategic inventory that will ensure it has enough fuel to meet its 2020 targets and beyond.

Canada goes big

In spite of low prices and years of technical difficulty, Cameco has brought its huge Cigar Lake mine into production. With modest production in 2014 Cameco expects to produce between 6 to 8 M Lbs in 2015. With over 100 M lbs of resource at an average grade of 15.8%, this will

become of the most important mines producing uranium in the coming years.

And the Athabasca Basin will continue to have even more high grade ore in the future. Fission Uranium has just announced a preliminary resource estimate of over 100 M lbs for its Patterson Lake South property making it the largest undeveloped property in the basin and third largest in size behind McArthur River and Cigar Lake producing mines. More proof that there is much more high grade uranium in Canada's future.

Smaller companies continue to consolidate

In the US, Energy Fuels is acquiring Uranerz to create the largest publicly-traded uranium company by market capitalization operationally focused and listed in the US. It integrates conventional and in-situ recovery uranium projects from two operating centers including the White Mesa uranium mill in Utah and the Nichols Ranch ISR mine and plant in Wyoming. It creates an attractive platform for further growth and consolidation within the US uranium sector.

In Australia, Toro continued to work on its global growth strategy by following up on the 2013 expansion of the Wiluna Uranium Resource base through the acquisition and integration of Megal's Lake Maitland Project in Western Australia. It is also active on the exploration front to expand its pipeline of assets through a JV exploration agreement with Areva in the Wiso Basin in the NT, an interest in the Matoush and Jasper Lake uranium projects in Canada, and Deep Yellow in Namibia.

Will 2015 be a year of change?

While the timing of increased uranium prices remains uncertain, consolidation is underway. For those interested in uranium, especially strategic investors, there will never be a better time to secure maximum value for a potential investment.

About MZConsulting

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