OUTLOOK FOR THE URANIUM MARKET

November 2018

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Important factors that could cause actual events and results to differ materially from expectations include those related to market fluctuations in price, inventories, production, and consumption of uranium; the lack of political will by government to implement balanced energy supply strategies that include nuclear energy; and changes in regulatory regimes governing the extraction of uranium and its use.

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What was the impact of Fukushima (March 2011)?
- Uranium demand declined with reactor closures (namely Japan, Germany)
- Deferment of Chinese nuclear fleet development
- Uranium production increased by about 15Mlb (2011 vs 2017) protected by Term Contracts
- Inventory transfer continued long running trend from 1991
- Utilities demands mainly covered by Long Term contracts
- Underfeeding due to surplus enrichment capacity

Source: Cameco Corp.
Nuclear Energy generation back to 2011 levels and sentiment improving

“Momentum Builds For Nuclear Power With Referendum Approved In Taiwan And "Nuclear Pride Fest" in Germany” (Oct’18)

Source: Forbes

“Blow for new South Korean president after vote to resume nuclear power build” (Oct’17)

Source: Financial Times

French President Macron said he would not follow Germany’s example by phasing out nuclear energy in France because his priority was to cut carbon emissions and shut down polluting coal-fired production. (Dec’17)

Source: Reuters
Japanese Recovery

Japanese Reactor Restarts Well Underway in 2018

• A total of 9 reactors have restarted – Up from 5 last year
  • 26 reactors in total have applied for restart
  • 2 reactors under construction
  • 12 reactors planned and proposed

• PM Shinzo Abe won a landslide re-election victory with a pro-nuclear stance

• Nuclear power goals reaffirmed in July 2018 and again in 2019
  • 20 - 22% from nuclear power by 2030 - about 30 reactors

Source: WNA, July 2018

Source: Nippon.com
Energy Demand forecast to Increase, both Total and Nuclear

- Global energy demand to grow especially outside OECD
- Nuclear demand grows 70 percent between 2016 and 2040, led by China

Source: Exxonmobil (2018 Outlook for Energy)
Decarbonising electricity: Nuclear energy is among the best

- Nuclear energy used by 30 countries and supplies 11% of global electricity
- 21%-25% nuclear share of electricity is required by 2050 to limit global temperature rise due to climate change to below 2°C, and to aim for a 1.5°C target

Nuclear essential in UN-supported Deep Decarbonization Pathways project.
&
WNA Harmony target

Source: World Nuclear Association
Nuclear Reactor Build Rate at a 25 year high

- Reactor Build rate at 25 year high in 2018
- Expect build rate to increase
- In line with the Harmony Targets
- Construction times reducing and expected to decline as the focus is on repetition and standardisation
Nuclear Represent Lower Cost Energy

Levelised cost of electricity ranges (LCOE)

Nuclear: Safe, Area Intensive, Job Creating

Source: GenerationAtomic.org
Small Modular Reactors and Advanced Reactors - Important Emerging Markets

SMR global market: 65-85 Gwe by 2035 – small scalable reactors:
  • 5 MWe up to 300 Mwe
  • Simpler design - lower capital and operating cost
  • Cost competitive with natural gas
  • Western U.S. utilities planning for 12 of the NuScale SMRs to be in commercial operation by 2025
  • TerraPower – Molten Salt Reactor – support from DOE, Southern Company, and Chinese

Source: World Nuclear Association
Annual Uranium Production Cuts

- Production Peaked in 2016 – 162 M lbs
- Fell to 155 Mlbs in 2017
- 2018 Production Projected < 135 Mlbs
2018 Reactor Demand = 191 MM lbs!

Production cuts mainly due to:
- Canadian output declining 47% to 18 Mlb U3O8 in 2018, as McArthur River is sidelined for an indeterminate amount of time
- Kazakhstan production declining from 61 Mlb in 2017 to 56 Mlb U3O8 in 2018. Focused on value not volume.

Source: UxC (Kazatomprom Registration Document)
Further Production Cuts On the Way

Resource Depletion: 14 million lbs less per year by 2026

- Australia - Ranger (2020) - 4.0 million lbs
- Kazakhstan - Akdala (2023) - 2.1 million lbs
- Africa – Niger - Cominak (2023) - 3.2 million lbs
- Africa – Namibia - Rossing (2025) - 4.8 million lbs

Even Cigar Lake is depleted by 2028! - 15 million lbs
Secondary Supplies forecast to Decline

• 2018 estimated at secondary supplies in all forms account for about 48 million pounds U3O8 or nearly 25% of total world supply
• This is forecast to drop to around 23 million pounds U3O8 by 2030 (DOWN 15 million pounds)
• U.S. DOE Inventories: “clean” UF6 almost gone + DOE halt
• Enrichment underfeeding has likely peaked

Source: Ux Consulting (Kazatomprom Registration Document)
Resumption of Utility Procurement Cycle Expected

Old contracts rolling off…

…new contracts need to be signed

Cameco currently delivering into contract by buying material in the spot market

Source: Ux Consulting October 2018
Short Term Issues

- Supply Deficit especially with regards Spot Material
  - Paladin closures, Kazakhstan trading company

- Investment Buying
  - including Yellow Cake, UPC using up spot material

- Cameco Corp. buying spot to meet term contract
  - 16 Mlb over 12 months

- Section 232 in the USA leaving utilities undecided

Source: Ux Consulting Nov 5, 2018