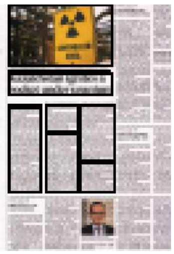

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Kazakhstan ignites a rocket under uranium

Peter Ker

Long-suffering uranium stocks have surged in early trading after another major cut to production of the nuclear fuel was announced.

The world's biggest uranium producer, Kazakhstan's state-owned miner Kazatomprom, said it would reduce production by 20 per cent over the next three years in a bid to reduce the excess supply that has existed since Japan suspended its nuclear fleet after the Fukushima nuclear disaster in 2011.

Kazatomprom's cuts amount to 7.5 per cent of global uranium supply, and the move is the second significant supply cut announced within the past month, after Canadian uranium major Cameco vowed to suspend its massive McArthur River mine for 10 months.

A chronic oversupply of uranium has anchored spot prices for the commodity below $US25 a pound in recent years, a price that will not incentivise new supply even as numerous mines reach the end of their life.

Shares in Australia's biggest pure-play uranium producer, Energy Resources of Australia (ERA), have surged by 52 per cent in the month since the Cameco cuts, and the stock rose a further 11 per cent to 94.5¢ a share in early trading on Tuesday.

At such levels ERA shares are trading at their highest price since June 2015 when the company's majority shareholder, Rio Tinto, announced it wanted to see no further mining at ERA's assets in the Northern Territory. Beyond ERA, Rio also has exposure to uranium through the Rossing mine in Nambia.

Shares in Namibia-focused uranium developer Deep Yellow Limited were 13 per cent higher in early trading, while shares in the Andrew Forrest-backed Vimy Resources were 11 per cent higher at 15¢ on Tuesday morning.

Vimy is trying to develop a uranium project in Western Australia.

Other ASX-listed companies with exposure to uranium include micro-caps such as Bannerman Resources, Toro Energy and Aura Energy, which has projects in Sweden and Mauritania.

Bannerman chief executive Brandon Munro said the cuts would deliver a supply deficit in the near future.

"The two announcements will reduce 2018 world uranium production by more than 15 per cent, an astonishing amount," he said in a note on Tuesday. "By 2021, even if Kazatomprom returns to full production, we model a supply deficit at a time when secondary supplies are tapering and nuclear utilities have low levels of contract coverage of their uranium requirements. The effect is clear, the utilities will have to act to secure their uranium requirements from 2020."

BHP Billiton is also a significant exporter of Australian uranium from its Olympic Dam mine in South Australia.

Olympic Dam is focused on copper but produces gold, silver and uranium as byproducts.

BHP marketing vice-president Vicky Binns said last week that uranium markets would remain oversupplied for close to a decade, with "downward pressure" remaining on uranium prices despite Cameco's production cuts.

Ms Binns said demand for uranium could outstrip supply by the late 2020s as consumption rises in Asian nations, particularly China.

But that picture could change, she said, if developed nations closed their nuclear power stations earlier than expected, or if renewables took a larger than expected market share.

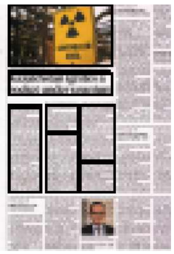
Further expansion of Olympic Dam is a risk for the uranium market, given the mine's uranium output is less sensitive to uranium prices than production from pure-play uranium mines.

The supply cuts announced by Cameco and Kazatomprom have come six months too late for shareholders in Paladin Energy, which was placed in administration in July.

Creditors are due to meet again in Perth on Thursday to discuss a proposed deed of company arrangement, which suggests that 98 per cent of Paladin shares should be transferred to the company's creditors and a $115 million raising conducted.

On Twitter on Tuesday, Paladin CEO Alex Molyneux said Kazatomprom's cuts were "huge for uranium".

"Uranium market moved so quick last night it's hard to know really where it's at with brokers quoting different price sets," he tweeted.



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Cuts in uranium production have sent stocks soaring. Uranium has been in excess supply since the Fukushima meltdown.