



06 Dec 2017

The Australian, Australia

Author: Paul Garvey • Section: Business News • Article type : News Item
Classification : National • Audience : 94,448 • Page: 20 • Printed Size: 305.00cm²
Market: National • Country: Australia • ASR: AUD 6,164 • Words: 614
Item ID: 883403751

isentia.mediaportal

Licensed by Copyright Agency. You may only copy or communicate this work with a licence.

P

P

R

Page 1 of 2

back

Cuts lift hopes for uranium price recovery

PAUL GARVEY
RESOURCES

Australia's uranium plays are increasingly hopeful that the beleaguered market has finally turned for the better after the second major cut to international uranium supply in the space of a month.

Kazakh state-owned miner Kazatomprom announced on Monday night that it will cut its production by 20 per cent for the next three years in response to the stubbornly low uranium prices that have plagued the sector since the 2011 Fukushima nuclear disaster.

The cut, equivalent to about 7.5 per cent of total annual uranium production worldwide, comes just weeks after Kazatomprom's rival giant Cameco said it would temporarily shut the world's largest uranium mine, McArthur River in Canada, for 10 months as part of its response to the soft market.

The moves mean the world's two biggest uranium miners have taken significant steps that will cut global production by between 15 and 19 per cent next year and boost the prospects of the market shaking off the price malaise.

The news put a rocket under uranium stocks yesterday, with shares in Australia's remaining listed uranium companies all surging as a result.

Mike Young, the managing director of the Andrew Forrest-backed uranium company Vimy Resources, told *The Australian* that the cuts should finally wake

up the world's nuclear power companies to the need to pay more for the uranium they feed into their reactors.

"I've been saying for a while that there was a big game of chicken coming between the producers and the utilities, and in that game the producers are going to win because they can just shut down production," Mr Young said.

"Unless the utilities want to drive their car over a cliff, they're going to have to come to the party."

The cuts to Kazatomprom's output follows the recent news that the company was considering a listing of some of its shares on London's AIM exchange. Any rise in spot uranium prices following the latest supply cuts could help improve investor sentiment towards the uranium sector ahead of Kazatomprom's listing.

Shares in Energy Resources of Australia, the owner of the Ranger uranium mine in the Northern Territory, jumped 8.2 per cent yesterday and have now gained

64.3 per cent over the past month.

Spain-focused Berkeley Energia jumped 16.4 per cent, Vimy climbed 11.1 per cent, and juniors Bannerman Resources and Toro Energy jumped shot up by 19.2 per cent and 18.8 per cent respectively.

Bannerman chief executive Brandon Munro said the scale of the production cuts was "astounding" and was certain to have an impact.

"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," he said.

"The effect is clear: the utilities will have to act to secure their uranium requirements from 2020."

While investors are betting that the market has turned for the better, there have been false dawns for uranium in the past.

Both the restart of Japan's nuclear reactor fleet and the exhaustion of an international program to recycle old nuclear warheads into fuel for reactors were supposed to mark the start of uranium's recovery but were both swamped by the more immediate issue of market oversupply.

RBC analyst Andrew Wong said the Kazatomprom cuts would significantly tighten the market outlook for uranium.

"We believe fuel buyers will become increasingly nervous on security of supply beyond 2020 and be willing to have more serious discussions on higher prices for term contracts," he said.



06 Dec 2017

The Australian, Australia

Author: Paul Garvey • Section: Business News • Article type : News Item
Classification : National • Audience : 94,448 • Page: 20 • Printed Size: 305.00cm²
Market: National • Country: Australia • ASR: AUD 6,164 • Words: 614
Item ID: 883403751

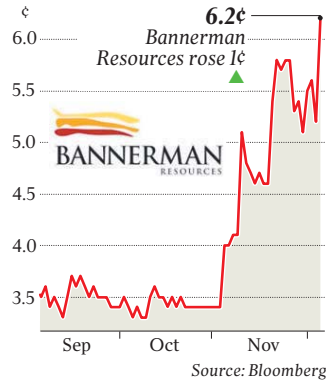
isentia.mediaportal

Licensed by Copyright Agency. You may only copy or communicate this work with a licence.

P
P R

Page 2 of 2

back



AUSE01201MA - V1

“ Unless the utilities want to drive their car over a cliff, they’re going to have to come to the party. ”

MIKE YOUNG, VIMY RESOURCES