

Uranium Market Outlook - U 2017 - Casper, Wyoming Continued Challenges, but Good Reason to Keep the Faith!

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The uranium industry continued to face challenges in 2016 as uranium prices endured their sixth consecutive year of bear-market conditions, which emerged following the Fukushima incident in March 2011. The uranium spot price dropped 41% during the year, hitting a 12-year low of US\$17.75 per pound U₃O₈ in late November 2016, and recovering slightly to US\$20.25 per pound U₃O₈ in December. Prices so far in 2017 have seen an increase in volatility, but still only reaching a high of \$26.00 per pound in March.

The depth and breadth of this uranium market downturn has finally begun to take a meaningful toll on the production side of the supply and demand equation, with production cutbacks becoming the norm as higher priced legacy long term contracts begin to fall off. Uranium prices in the low US\$20.00 per pound U₃O₈ range are unlikely to be sustainable, given that the all-in production costs of the lowest cost producing mines are higher than the current depressed price level. Further, the current price environment fails to incentivize, the majority of, undeveloped uranium projects towards construction.

Ironically, the sustained low uranium price levels have persisted despite positive developments on the demand side during calendar 2016. During the past two years, we have seen more new nuclear capacity additions to the global electricity grid than any other years in the past 25 year period. Nuclear energy continues to expand globally due to its ability to deliver large amounts of reliable and constant baseload energy, without carbon emissions or air pollution, at competitive generating costs compared to alternative forms of electricity.

It is this conundrum that uranium producers and developers face in the current market. We know the market needs new primary production in the coming years, but the near-term lack of price incentives, and long development lead-times, put that required supply response in question. It is this very development that should provide optimism to market observers. **This presentation will explore the supply and demand fundamentals which explain the near-term weakness, but expose a very positive outlook for uranium prices going forward.**