

Uranium Sector Update

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Kazatomprom Announces Further Production Cuts in Response to Market Conditions

Event: Kazatomprom, the world's largest uranium producer, has announced a production cut equal to 20% of planned production for the next three years, starting in January 2018.

Impact: Positive for Sector Fundamentals, Uranium Price & Equities – The estimated impact to 2018 production is ~10.4Mlb U₃O₈ (4,000 tU) and a total of ~28.6 Mlb U₃O₈ (11,000 tU) over the next three years. This cut represents **~7.5% of expected global production in 2018**. The news comes just weeks after Cameco's decision to suspend its operations at McArthur River for 10 months, which would take ~12-15 Mlb U₃O₈ offline and reduce global inventories [<click here for report >](#). Uranium prices have remained at unsustainably low levels as a result of a perennially over-supplied market since the Fukushima disaster in 2011, prompting producers to begin taking supply offline. Prior to the news of Cameco's recent production cut and today's news from Kazatomprom, we had been expecting the market to balance in the 2019/2020 timeframe, underpinned by stable supply and recovering demand from new reactor builds in Asia. Production cuts from the world's two largest producers will materially improve the sector's fundamentals and will accelerate the timeline to a balanced market, and should induce a sustained increase in uranium price. With the cuts, the market should experience a small primary supply deficit in 2018, although this will be buffered by substantial global inventories and secondary supplies, we see a better fundamental picture moving into 2018-20.

- **World's largest uranium producer announces second production cut.** In January 2017, Kazatomprom announced a 10% production cut, which translated to ~5 Mlb U₃O₈ or ~3% of global production. On the back of this news, uranium prices rallied with the weekly spot price and Broker Average Price (BAP) rising to over US\$26.00 from ~\$22.00 before declining throughout the rest of 2017 (see charts on page 4). Nearly a year later, it has now announced a cut more than twice as large, which we believe should support a sustained price increase, and serve to reduce global inventories in coming years.
- **Developments in supply/demand fundamentals support higher uranium prices.** Following the Cameco news on November 9th, spot prices rallied to ~US\$25.50 before retreating to US\$22.00 on intermediary selling pressure. UxC Consulting currently forecasts global U₃O₈ production at 139 Mlbs in 2018 (-7.9% YoY), which would fall to ~129 Mlbs after accounting for Kazatomprom's cut. Including secondary supplies, UxC's total 2018 supply forecast of 182 Mlbs falls to ~172 Mlbs on this cut, compared to its base case demand forecast of 187.5 Mlbs. This market rebalancing supports our outlook for materially higher spot prices being established and sustained within 2018, although we note that near term volatility in the BAP is to be expected.

How to Play it – Our Top Picks: (see Pages 2 & 3 for complete 'Torque Tables', sector comps and latest uranium prices)

Below are our four favourite vehicles for establishing exposure to bullish moves in uranium equities, with links to our last published reports. In Exhibit 1 on the following page, we highlight the upward price movement in select uranium equities following the January announcement and the subsequent retracement leading up to Cameco's announcement in November. In Exhibit 2, we show the immediate impact from Cameco's announcement and the subsequent performance leading up to today's news.

- 1) **Best in Class Asset: NexGen Energy (NXE-T, NXE-US; Target: \$6.00, Rating: Buy, Risk: Very High)**
[<click here for report >](#)
- 2) **'Most Torque' Near-term Producer: Uranium Energy Corp. (UEC-US; Target: \$2.90, Rating: Buy, Risk: Very High)**
[<click here for report >](#)
- 3) **Well-Funded & Diverse Asset Base: Denison Mines (DML-T, DNN-US; Target: \$1.80, Rating: Buy, Risk: Very High)**
[<click here for report >](#)
- 4) **Torquey Small Cap: Plateau Uranium (PLU-V, Not Rated, No target)**
[<click here for report >](#)

Please see page 5 for Analyst Certification, pages 5 - 8 for Important Information, Rating Structure, Legal Disclaimers and notes.



Exhibit 1: Select Uranium Sector Equities' Response to January 2017 Kazatomprom Production Cut & Subsequent Retracement

Uranium Sector Torque Table		2-Jan-17	10-Feb-17	%	13-Feb-17	8-Nov-17	%
Uranium	UxC Spot Price	\$20.44	\$26.68	30.5%	\$26.56	\$20.48	(22.9)%
Company Name	Ticker	Price at 2-Jan-17	High Price 10-Feb-17	Max. % Change	Price at 13-Feb-17	Price at 8-Nov-17	Period % Change
Cameco Corporation	TSX:CCO	\$14.04	\$17.43	24.1%	\$15.34	\$11.50	(25.0)%
Uranium Energy Corp.	US:UEC	\$1.12	\$1.80	60.7%	\$1.76	\$1.10	(37.5)%
Energy Fuels Inc.	US:UUUU	\$1.64	\$2.51	53.0%	\$2.51	\$1.43	(43.0)%
UR-Energy Inc.	TSX:URE	\$0.71	\$1.14	60.6%	\$1.14	\$0.68	(40.4)%
Peninsula Energy Limited	ASX:PEN	\$0.56	\$0.85	51.8%	\$0.79	\$0.29	(63.7)%
NexGen Energy Ltd.	TSX:NXE	\$2.33	\$3.91	67.8%	\$4.21	\$2.45	(41.8)%
Denison Mines Corp.	TSX:DML	\$0.70	\$1.05	50.0%	\$1.05	\$0.57	(45.7)%
Fission Uranium Corp.	TSX:FCU	\$0.64	\$0.87	35.9%	\$0.88	\$0.58	(34.1)%
Berkeley Energia Limited	ASX:BKY	\$0.90	\$1.20	33.5%	\$1.05	\$0.78	(26.2)%
Toro Energy Limited	ASX:TOE	\$0.04	\$0.06	48.8%	\$0.06	\$0.03	(48.2)%
GoviEx Uranium Inc.	TSXV:GXU	\$0.15	\$0.39	156.7%	\$0.43	\$0.20	(52.9)%
UEX Corporation	TSX:UEX	\$0.25	\$0.32	30.6%	\$0.39	\$0.22	(42.9)%
Vimy Resources Limited	ASX:VMY	\$0.25	\$0.26	4.0%	\$0.25	\$0.13	(50.0)%
A-Cap Resources Limited	ASX:ACB	\$0.08	\$0.09	20.8%	\$0.09	\$0.05	(46.2)%
Deep Yellow Limited	ASX:DYL	\$0.36	\$0.60	66.7%	\$0.54	\$0.21	(62.0)%
Summit Resources Limited	ASX:SMM	\$0.09	\$0.94	944.4%	\$0.94	\$0.15	(84.0)%
Western Uranium Corporat	CNSX:WUC	\$1.70	\$2.50	47.1%	\$2.62	\$0.99	(62.2)%
Energy Metals Limited	ASX:EME	\$0.08	\$0.24	200.0%	\$0.24	\$0.10	(60.4)%
Aurania Resources Ltd.	TSXV:ARU	\$0.61	\$0.60	(1.6)%	\$0.72	\$1.90	163.9%
Mega Uranium Ltd.	TSX:MGA	\$0.14	\$0.28	100.0%	\$0.29	\$0.16	(46.6)%
Laramide Resources Ltd.	TSX:LAM	\$0.29	\$0.69	137.9%	\$0.72	\$0.25	(65.3)%
Bannerman Resources Limi	ASX:BMN	\$0.03	\$0.10	216.7%	\$0.09	\$0.04	(53.4)%
Globex Mining Enterprises	TSX:GMX	\$0.42	\$0.59	40.5%	\$0.59	\$0.45	(23.7)%
IsoEnergy Ltd.	TSXV:ISO	\$0.90	\$1.64	82.2%	\$1.47	\$0.28	(81.0)%
Kivalliq Energy Corporation	TSXV:KIV	\$0.09	\$0.18	105.9%	\$0.17	\$0.08	(52.9)%
Skyharbour Resources Ltd.	TSXV:SYH	\$0.33	\$0.58	75.8%	\$0.63	\$0.34	(46.8)%
Forsys Metals Corp.	TSX:FSY	\$0.11	\$0.24	113.6%	\$0.21	\$0.13	(40.5)%
Plateau Uranium Inc.	TSXV:PLU	\$0.25	\$0.64	156.0%	\$0.62	\$0.37	(40.3)%
Azimut Exploration Inc.	TSXV:AZM	\$0.33	\$0.42	27.3%	\$0.30	\$0.32	6.7%
Fission 3.0 Corp.	TSXV:FUU	\$0.07	\$0.10	46.2%	\$0.09	\$0.05	(50.0)%
Purepoint Uranium Group I	TSXV:PTU	\$0.13	\$0.18	38.5%	\$0.16	\$0.07	(58.1)%
Blue Sky Uranium Corp.	TSXV:BSK	\$0.40	\$0.37	(7.5)%	\$0.30	\$0.22	(26.7)%
CanAlaska Uranium Ltd.	TSXV:CVV	\$0.49	\$0.67	38.1%	\$0.55	\$0.27	(50.9)%
Zadar Ventures Ltd.	TSXV:ZAD	\$0.08	\$0.12	43.8%	\$0.12	\$0.09	(26.1)%
Anfield Resources Inc.	TSXV:ARY	\$0.11	\$0.15	38.1%	\$0.10	\$0.04	(60.0)%
Avrupa Minerals Ltd.	TSXV:AVU	\$0.12	\$0.13	8.3%	\$0.12	\$0.08	(34.8)%
Cauldron Energy Limited	ASX:CXU	\$0.05	\$0.08	60.0%	\$0.07	\$0.04	(44.3)%
92 Resources Corp.	TSXV:NTY	\$0.11	\$0.12	9.1%	\$0.13	\$0.12	(7.7)%
Marenica Energy Limited	ASX:MEY	\$0.14	\$0.19	35.7%	\$0.20	\$0.10	(48.7)%
X-Terra Resources Inc.	TSXV:XTT	\$0.17	\$0.39	136.4%	\$0.38	\$0.25	(34.7)%
U3O8 Corp.	TSX:UWE	\$0.50	\$0.90	80.0%	\$0.90	\$0.26	(71.7)%
Tajiri Resources Corp.	TSXV:TAJ	\$0.16	\$0.19	22.6%	\$0.19	\$0.11	(42.1)%
Eros Resources Corp.	TSXV:ERC	\$0.15	\$0.21	36.7%	\$0.19	\$0.17	(10.5)%
Pele Mountain Resources li	TSXV:GEM	\$0.20	\$0.40	100.0%	\$0.30	\$0.20	(33.3)%
Montero Mining and Explor	TSXV:MON	\$0.20	\$0.28	40.0%	\$0.24	\$0.16	(33.3)%
Uracan Resources Ltd.	TSXV:URC	\$0.06	\$0.09	41.7%	\$0.07	\$0.02	(71.4)%
Forum Uranium Corp.	TSXV:FDC	\$0.10	\$0.16	60.0%	\$0.12	\$0.04	(66.7)%

Source: Haywood Securities, Capital IQ, Thomson One



Exhibit 2: Select Uranium Sector Equities' Response to News of Cameco's Production Cut in November

Uranium Sector Torque Table		8-Nov-17	9-Nov-17	%	10-Nov-17	1-Dec-17	%
Uranium	UxC Spot Price	\$20.48	\$22.75	11.1%	\$22.94	\$23.06	0.5%
Company Name	Ticker	Price at 8-Nov-17	High Price 9-Nov-17	Max. % Change	Price at 10-Nov-17	Price at 1-Dec-17	Period % Change
Cameco Corporation	TSX:CCO	\$11.50	\$11.84	3.0%	\$11.88	\$12.04	1.3%
Uranium Energy Corp.	US:UEC	\$1.10	\$1.30	18.2%	\$1.42	\$1.33	(6.3)%
Energy Fuels Inc.	US:UUUU	\$1.43	\$1.63	14.0%	\$1.69	\$1.67	(1.2)%
UR-Energy Inc.	TSX:URE	\$0.68	\$0.78	14.7%	\$0.82	\$0.79	(3.7)%
Peninsula Energy Limited	ASX:PEN	\$0.29	\$0.37	29.8%	\$0.36	\$0.42	16.9%
NexGen Energy Ltd.	TSX:NXE	\$2.45	\$3.04	24.1%	\$2.93	\$2.97	1.4%
Denison Mines Corp.	TSX:DML	\$0.57	\$0.65	14.0%	\$0.67	\$0.63	(6.0)%
Fission Uranium Corp.	TSX:FCU	\$0.58	\$0.65	12.1%	\$0.68	\$0.66	(2.9)%
Berkeley Energia Limited	ASX:BKY	\$0.78	\$0.90	16.1%	\$0.84	\$0.95	13.8%
Toro Energy Limited	ASX:TOE	\$0.03	\$0.04	20.7%	\$0.03	\$0.03	(6.1)%
GoviEx Uranium Inc.	TSXV:GXU	\$0.20	\$0.24	17.5%	\$0.24	\$0.28	14.6%
UEX Corporation	TSX:UEX	\$0.22	\$0.24	6.8%	\$0.24	\$0.29	20.8%
Vimy Resources Limited	ASX:VMY	\$0.13	\$0.16	24.0%	\$0.15	\$0.14	(6.9)%
A-Cap Resources Limited	ASX:ACB	\$0.05	\$0.06	10.0%	\$0.06	\$0.05	(14.5)%
Deep Yellow Limited	ASX:DYL	\$0.21	\$0.26	26.8%	\$0.25	\$0.31	24.0%
Summit Resources Limited	ASX:SMM	\$0.15	\$0.22	46.7%	\$0.15	\$0.20	33.3%
Western Uranium Corporat	CNSX:WUC	\$0.99	\$0.99	0.0%	\$1.04	\$0.93	(10.6)%
Energy Metals Limited	ASX:EME	\$0.10	\$0.15	57.9%	\$0.13	\$0.10	(23.2)%
Aurania Resources Ltd.	TSXV:ARU	\$1.90	\$1.90	0.0%	\$2.04	\$1.90	(6.9)%
Mega Uranium Ltd.	TSX:MGA	\$0.16	\$0.20	29.0%	\$0.20	\$0.19	(7.5)%
Laramide Resources Ltd.	TSX:LAM	\$0.25	\$0.32	28.0%	\$0.33	\$0.36	9.1%
Bannerman Resources Limi	ASX:BMN	\$0.04	\$0.05	24.4%	\$0.05	\$0.05	10.4%
Globex Mining Enterprises	TSX:GMX	\$0.45	\$0.45	0.0%	\$0.44	\$0.43	(2.3)%
IsoEnergy Ltd.	TSXV:ISO	\$0.28	\$0.34	19.6%	\$0.33	\$0.27	(18.2)%
Kivalliq Energy Corporation	TSXV:KIV	\$0.08	\$0.09	6.3%	\$0.09	\$0.09	5.9%
Skyharbour Resources Ltd.	TSXV:SYH	\$0.34	\$0.39	14.9%	\$0.38	\$0.42	10.7%
Forsys Metals Corp.	TSX:FSY	\$0.13	\$0.15	16.0%	\$0.15	\$0.14	(6.7)%
Plateau Uranium Inc.	TSXV:PLU	\$0.37	\$0.43	14.9%	\$0.43	\$0.55	27.9%
Azimut Exploration Inc.	TSXV:AZM	\$0.32	\$0.32	0.0%	\$0.32	\$0.29	(10.9)%
Fission 3.0 Corp.	TSXV:FUU	\$0.05	\$0.06	22.2%	\$0.06	\$0.05	(9.1)%
Purepoint Uranium Group I	TSXV:PTU	\$0.07	\$0.08	23.1%	\$0.08	\$0.09	13.3%
Blue Sky Uranium Corp.	TSXV:BSK	\$0.22	\$0.28	27.3%	\$0.25	\$0.24	(6.0)%
CanAlaska Uranium Ltd.	TSXV:CVV	\$0.27	\$0.31	14.8%	\$0.35	\$0.36	4.3%
Zadar Ventures Ltd.	TSXV:ZAD	\$0.09	\$0.09	0.0%	\$0.08	\$0.09	12.5%
Anfield Resources Inc.	TSXV:ARY	\$0.04	\$0.05	12.5%	\$0.06	\$0.04	(36.4)%
X-Terra Resources Inc.	TSXV:XTT	\$0.25	\$0.25	0.0%	\$0.24	\$0.28	16.7%
U3O8 Corp.	TSX:UWE	\$0.26	\$0.36	41.2%	\$0.42	\$0.46	9.5%
Tajiri Resources Corp.	TSXV:TAJ	\$0.11	\$0.12	9.1%	\$0.12	\$0.09	(29.2)%
Uracan Resources Ltd.	TSXV:URC	\$0.02	\$0.03	50.0%	\$0.03	\$0.03	0.0%
Forum Uranium Corp.	TSXV:FDC	\$0.04	\$0.06	37.5%	\$0.06	\$0.06	(8.3)%

Source: Haywood Securities, Capital IQ, Thomson One



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HOLD – The analyst believes that the security is expected to perform in line with other companies in their sector on a risk adjusted basis or for the reasons stated in the research report the analyst believes that the security is deserving of a (continued) HOLD rating.

SELL – Investors are advised to sell the security or hold alternative securities within the sector. Stocks in this category are expected to under-perform other companies on a risk adjusted basis or for the reasons stated in the research report the analyst believes that the security is deserving of a (continued) SELL rating.

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High Risk: Typically micro or small cap companies which have an above average investment risk relative to more established or mid to large cap companies. These companies will generally not form part of the broad senior stock market indices and often will have less liquidity than more established mid and large cap companies. These companies are only appropriate for investors who have a high tolerance for risk and volatility and who are capable of incurring a temporary or permanent loss of a significant loss of their investment capital.

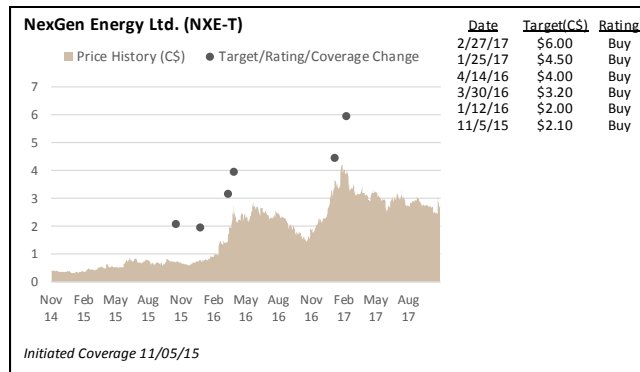
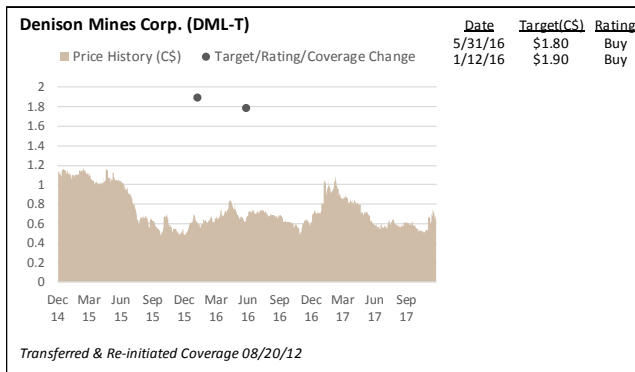
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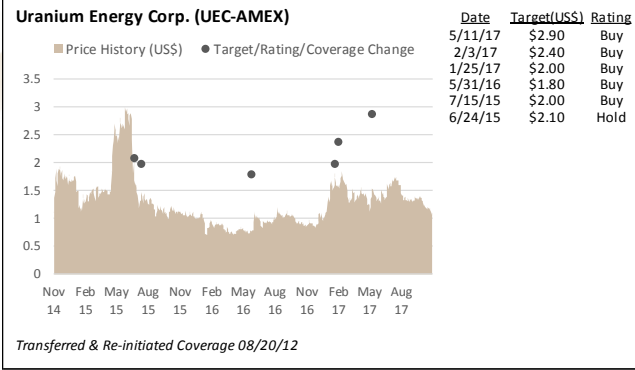
Moderate Risk: Large to very large cap companies with established earnings who have a track record of lower volatility when compared against the broad senior stock market indices. These companies are only appropriate for investors who have a medium tolerance for risk and volatility and who are prepared to accept general stock market risk including the risk of a temporary or permanent loss of some of their investment capital.

Distribution of Ratings (as of December 4, 2017)

	%	#	IB Clients (TTM)
Buy	76.3%	74	97.1%
Hold	9.3%	9	2.9%
Sell	0.0%	0	0.0%
Tender	0.0%	0	0.0%
UR (Buy)	0.0%	0	0.0%
UR (Hold)	0.0%	0	0.0%
UR (Sell)	0.0%	0	0.0%
Dropped (TTM)	14.4%	14	0.0%

Price Chart, Rating and Target Price History (as of December 4, 2017)





B: Buy; H: Hold; S: Sell; T: Tender; UR: Under Review
Source: Capital IQ and Haywood Securities