

Events In Japan Unlikely to Cast Long Term Shadow over Uranium Stocks

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It is worth noting that since the tragedy developed at the Fukushima reactor in Japan, the reactions of governments around the world have been mixed. Russia is actively promoting nuclear developments. In fact, it just received good news from the Turkish President Erdogan who said that Turkey wants to fast-track the development with Rosatom, the Russian nuclear corporation, of the four-reactor Akkuyu plant at a cost of about \$20 billion. These reactors are being built only 25 km from an active earthquake fault line, but both President Erdogan and Russian President Medvedev claim new technologies will assure the plant is safe.

On the other hand, China has suspended approval of new nuclear power plants so that safety standards can be reviewed in light of the events in Japan. China declared its six operating plants safe and will continue to operate. Chancellor Merkel of Germany, locked in a tight election campaign, has temporarily halted plans to extend the lives of seven nuclear power plants for three months and taken two older plants off the grid temporarily. However, Merkel reiterated the importance of nuclear power in Germany, stating that Germany must rely on nuclear power until renewable power sources become a viable alternative.

In our opinion, politicians are playing politics. Once the Japanese reactors are contained and other governments have assured themselves that their plants are safe, the world will return to using their nuclear power plants and building new ones.

As is usually the case, the markets have over-reacted to the nuclear situation in Japan. This presents excellent opportunities for discerning investors even with the uranium producing and exploration company stock gaining yesterday and today (3/18).

After getting beaten down 20% - 35%, the uranium stocks looked attractive and they still look attractive after gains of 15% - 20% the last two days, especially the five or six production companies. Yesterday (March 17) they began to bounce back. We think the following are most attractive at current prices.

- Cameco (CCJ), the largest uranium producer in the world
- Uranium Energy Corporation (UEC), the newest producer with facilities in Texas
- UR-Energy (URG), the next American company likely to begin production out of Wyoming
- Paladin (PALAF), a mid-sized producer out of Namibia with projects in Australia

Uranium prices had jumped 75% in the six months prior to the Japanese earthquake. They are likely to continue their upward trajectory once the reactors in Japan are contained. Uranium stocks offer an attractive buying opportunity for prudent investors who have a longer-term focus.

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The world has been consuming about 180 million pounds of uranium per year for the last few years. Mining provides about 110 million pounds. The difference, about 70 million pounds, has been coming from the de-commissioning of former Soviet Union nuclear weapons pursuant to a treaty between the US and Russia signed in 1993 that is due to expire in 2013. (Source: International Energy Agency)

Nuclear power provides the world about 13% of its energy with nations like France getting 80% of its power and the US getting about 20% of its power. The demand for uranium is increasing significantly because 65 nuclear power plants are under development worldwide with more than 25 of those plants being developed in China. With the HEU Treaty with Russia due to expire and Putin indicating he might not renew that treaty, the world was headed for significant uranium shortages even before the 65 nuclear power plants under development come on line.