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Put uranium on your radar screen

Nuclear power seen as way to reduce emissions

Uranium started getting headlines in 2004 as the key ingredient in nuclear power generation, but its popularity waned when the markets corrected. It's now regaining traction as governments look for large-scale energy sources to meet huge future power demands.

Uranium spot prices have quietly crept up, reaching their highest levels in more than 10 months. Meanwhile uranium companies have been busy raising funds with a number of new offerings and uranium producers have been entering the spot market.

According to Trade Tech, the main provider of uranium price indicators, there were a total of 20 transactions completed in September involving 3.1 million pounds of uranium. Uranium producers accounted for approximately one-third of that volume, causing speculators to wonder if there is a production shortfall.

Regardless, uranium is becoming an increasingly sought after commodity, with governments around the world promoting nuclear power as a way to reduce fossil fuel emissions. Nuclear power is the only large-scale source of clean-air energy; free of greenhouse gasses and other combustion byproducts.

It's a phenomenon that hasn't gone unnoticed and reports indicate that uranium has been garnering attention in the hedge fund community. Various large corporations have also expressed interest. China Nuclear Power Corp. recently divulged plans to invest US\$117.6 billion in nuclear power projects by 2020.

Uranium is essential to the continued growth of the emerging markets.

China currently has 11 operational nuclear power reactors, accounting for approximately 1% of the country's total energy capacity. However, those figures are expected to grow significantly. Analysts estimate that nuclear power capacity in China will jump to 5% of the total installed power capacity by 2020. The global average level of nuclear power is currently 16%, so there even more room for growth.

According to the Nuclear Energy Institute, 16 countries rely on nuclear power for at least 25% of their electricity needs. Nuclear power represents 30% of the electricity used in Europe and Japan. France relies on nuclear power for an astounding 75.2% of their electricity requirements.

Russia's state-owned nuclear holding company, Rosatom, takes a similar view on uranium's long-term usage. CEO Sergei Kiriyenko recently stated that the world will undergo a "nuclear renaissance". He believes the number of nuclear power plants will double by 2030 and demand will double or triple. Rosatom's ARMZ subsidiary is in the process of acquiring a controlling stake in Canadian company Uranium One, and a top priority is to increase its market value by international growth through uranium mining.

BHP Billiton has also started talking about uranium. Although they have been focused on acquiring Potash Corp. of Saskatchewan, there could be an underlying

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motive for getting established in that province. BHP is in the uranium business too, and approximately 21% of world uranium production in 2008 came from Saskatchewan's Athabasca Basin.

Marius Kloppers, CEO of BHP recently stated that "those two commodities (potash and uranium), probably in order, are the ones that interest us." Saskatchewan's uranium deposits are "tier one" (large and high quality) making them very attractive. If BHP is successful in their Potash Corp. bid, they could be well positioned to take advantage of Saskatchewan's uranium.

Should investors start paying more attention to uranium? Although the case is still being made for uranium's near-term potential, they certainly would be prudent to put it on their watch list.

One way to participate in the growing global demand for uranium and nuclear power is through the Market Vectors Nuclear Energy ETF (NLR/NYSE), which includes Cameco Corp., Paladin Energy Ltd. and Uranium One among its top six holdings.

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