

Scotiabank Analyst Calls for \$60/pound Uranium Before Year End

Uranium Price Following 'Transformational Change' in Electricity Demand



Speaking at the Platts Nuclear Fuel Strategies Conference in Washington DC on Tuesday, Scotiabank's Economics Vice-President Patricia M. Mohr, a highly respected uranium and commodities analyst, forecast spot uranium will reach \$60/pound in late 2006. She told uranium fuel managers, hedge funds, investors, utilities, and other uranium industry insiders, "Uranium will average \$60 to \$65/pound in 2007." That's up from her 2006 forecast for an average of \$46.45/pound.

Mohr emphasized that uranium is not trading in tandem with either gold, gas, or oil. "Uranium has behaved like a base metal and could go higher," she said. According to UxC, spot uranium reached a new high of \$54/pound on Tuesday. "It is now 51 percent above its previous peak," Mohr remarked. While she noted her Commodity Index peaked in August, and Mohr expects commodity prices lower into 2007, she added, "Uranium is the exception to this rule. I see these prices moving up higher. Uranium supply is exceptionally tight."

While some at the conference argued for a future market in spot uranium, Mohr advised against this. "The traders set the price instead of the actual trade (as is currently being done)," she warned. "If uranium were traded on a futures exchange, it would be at \$100." She pointed out that uranium is up 72.2 percent over the past 12 months.

Mohr gave two fundamental reasons for uranium's rocket ride in 2006: inadequate mine supply and a 'transformational change' for baseload electricity generation. "It is a secular improvement, not a cyclical improvement," Mohr told StockInterview.com.

She was pessimistic about a near-term improvement in mine supply. "The Kazakhs are extremely ambitious in their plans," Mohr remarked. "Their timeline is unrealistic." Mohr echoed similar comments about Kazakhstan uranium mining made earlier at this conference by Power Resources CEO Fletcher Newton who said of the Kazakhs, "They think big thoughts."

Mohr sees no impact from Cameco's Cigar Lake production until at least 2008, when she expects the Canadian uranium mine to produce about 7 million pounds. She forecast Cigar Lake to produce 11.6 million pounds in 2009 and ramp up to 18 million by 2010. Mohr does not expect a major expansion at Australia's Olympic Dam until 2012 to 2014.

She believes 'first core demand' of 198 million pounds for the 168 nuclear reactors to be constructed between now and 2020 as "a key factor in boosting (the uranium) price." Mohr sees the nuclear renaissance well underway. Of uranium mining stocks, she felt Paladin Resources was a bright spot this year and observed that uranium companies had added small increments or uranium production in the United States.

Also joining Mohr on the uranium mining panel were Dustin Garrow of Paladin Resources, who foresaw a future uranium price of between \$80 and \$100 pound, and David Miller of Strathmore Minerals, whose research indicated U.S. uranium mining production could reach up to 25 million pounds annually by 2020.

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