



March 15, 2011

Concerning the current crisis in Japan and its short and long term effects on the nuclear industry:

Talking about the specific nuclear alarm concerning reactors of the Fukushima Daiichi power plant in Japan; let's bear in mind that despite receiving a direct hit from one of the strongest earthquakes and tsunamis in recorded history, the reactor cores remain well contained. Most of the detected radiation so far, has come from purposefully venting the cooling systems and from brief fires in one of the spent fuel pools, which were extinguished.

Keep in mind that these reactors are 40 years old and are within the most active seismic area in the world. Also, of the more than 10,000 estimated deaths, not one can be attributed to the affected power plants.

Talking in general about the nuclear industry fundamentals, these are still very strong. While the reputation of the nuclear industry is being affected today, in the long term, uranium and the nuclear industry are likely to recover due to the importance of carbon-free sources of energy (as opposed to fossil fuels which generate greenhouse gases, GHG).

"There are really no alternatives to nuclear power... wind turbines are not a viable substitute... countries such as China have no choice but to continue along the nuclear path," said a UK fund manager who specializes in uranium on March 14.

China's growth plans for its nuclear industry will require large quantities of uranium to fuel the plants. China has 13 reactors currently in operation, with a total generating capacity of 10.8 gigawatts. They currently have 23 reactors under construction and the government has approved an additional 32 units, totaling a capacity of almost 35 gigawatts. Furthermore, many in the industry have been lobbying the Chinese government to double its target of 40 gigawatts of nuclear capacity by 2020.

"The reaction of China to this crisis will have the greatest implications for future uranium demand", said Ian Hiscock, a consultant at CRU Group. "The long-run market fundamentals of the industry remain in place with security of supply and CO₂ emissions key challenges for the energy market."

Another argument for the eventual rebound is that the new generation of nuclear plants is safer than those that are having problems in Japan. Even Japan is likely to continue with its nuclear building program but with stricter safety guidelines, Layton said. "I think consumption will go ahead from Japan. What they'll do is create bigger and strong tsunami walls and create even more reliable back-ups."

Jerry Grandey, CEO of CAMECO, the world's largest uranium miner said on March 14, "Some voices have questioned whether the nuclear renaissance will survive this natural disaster. Looking beyond the events of recent days, we at Cameco don't see a dramatic



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effect on the fundamentals of our uranium business. This is driven largely by emotion, as one would expect in a situation like this. However, we do not anticipate significant direct effects on Cameco's business in the short or long term."

Marin Karusa, market strategist with Casey Research in Vancouver, sees many of the nuclear expansions going ahead despite the devastation in Japan. "They don't have a choice. They may be delayed, but eventually nuclear is a real candidate and all of these countries are trying to increase their energy diversity, and they are trying to grow"

3 facts and key points to take into account:

- Today there are 441 nuclear reactors in operations, 58 reactors under construction and 479 new reactors planned or proposed.
- World mine uranium production is in the 60,000 tons per year, while consumption is in the 69,000 tons per year. The difference is *still* being supplied with existing and *limited* stockpiles and nuclear disarmament from USA and Russia.
- The Kyoto Protocol to the UN Framework Convention on Climate Change (1997) sets binding targets for 37 industrialized countries and the European community for reducing greenhouse gas (GHG) emissions. These amount to 5% against 1990 levels over the five-year period 2008-2012. Countries must meet their targets primarily through national measures.

Finally, please let's remember BP's recent tragedy in the Gulf of Mexico (April 2010). The barrel of Brent Crude Oil fell from USD 90, previous to that crisis, to USD 70 during the crisis, and it recovered largely up until today to USD 110 per barrel (March 15, 2011). Leaving the suffering aside, let's also remember the air crash from Air France's new AIRBUS flight from Rio to Paris (June 2009). Today, flying is still the safest method of transportation, worldwide, and the air flight industry has since been growing strong.

In both cases, the media at that time made a big story and coverage of it, but a couple of months afterwards, they have almost been forgotten by the media and especially by the markets.

(Sources: IAEA, WNA, InfoMine, CTV, Reuters, BGF Equities)