

URANIUM PRICES	LONG TERM PRICE US\$/lb U ₃ O ₈	SPOT PRICE US\$/lb U ₃ O ₈
UC PRICES		
October 1, 2017	\$31.00 ↓	\$20.32 ↑
November 1, 2017	\$30.00 ↓	\$19.95 ↓
SLUC PRICE OUTLOOK		
December 31, 2017	\$30.00 ●	\$21.00 ↑
March 31, 2018	\$34.00 ↑	\$24.25 ↑
June 30, 2018	\$39.00 ↑	\$28.75 ↑
September 30, 2018	\$41.50 ↑	\$33.50 ↑
December 31, 2018	\$41.50 ●	\$33.00 ↑
December 31, 2019	\$49.00 ↑	\$40.25 ↑
December 31, 2020	\$55.00 ↑	\$48.60 ↑

SLUC EQUITY INDEX		
August 1, 2017	523.02	↑
September 1, 2017	491.06	↓
October 1, 2017	471.17	↓
November 1, 2017	426.14	↓

WORLD NUCLEAR ASSOCIATION

Global Reactor Count	#	GWe
Operable	447	392
Under construction	56	61
Planned	160	165
Proposed	351	402

UXC: UX Consulting Company

MONTH IN REVIEW

As we have been predicting, the uranium term price eased down a bit more last month to \$30.00/lb. taking the spot price with it to \$19.95/lb. We recognize that abrupt changes in U prices seem to be a personality trait of this commodity and we believe a tipping point is looming. In the absence of such a crossroad, we don't expect any further movement in the term price prior to year-end, however the spot should tighten up a bit.

The two big announcements this month were Areva's mining shut down in Niger and Cameco's reduced production guidance. These two moves have triggered changes in our Outlook model resulting in improvements to our numbers for the coming year.

Our Equity Index fell by nearly 10% in October to 426.14 driven not only by the 3% drop in commodity prices and seasonal weakness but as well a significant drop in Cameco's share price following their Q3 results.

URANIUM PRICES - KAZATOMPROM TAKES CONTROL

EXCLUSIVE TO SIGHTLINE U₃O₈ – Since 2007, Kazakhstan has raced to become the world's largest producer of uranium. With the second highest amount of known recoverable uranium resources and one of the lowest production costs in the industry, Kazakhstan has positioned itself perfectly to dominate the uranium market. So, what have they done with those advantages?



They did what any reasonable country with a powerful competitive advantage would do - they priced out the competition.

Since 2007, Kazakh production has grown at an average 18.8% per year, amounting to over 40% of the world's uranium production in 2016, all from a 16% market share in 2007.

In their race to become market leader, Kazakhstan has flooded the market pushing long-term U₃O₈ prices down 68%, to a critical low of US\$31/lb. and a spot price hovering at

CONTINUED ON PG 2

PALADIN BONDHOLDERS FACE HIT

The Australian – Paladin Energy's existing bondholders look like they are going to have to put their hands in their pockets to stave off a complete collapse of the challenged uranium miner, which is in administration.

It is understood a deal is being worked through with Paladin's administrator KPMG and bondholders, where they provide more funding for the company as part of a recapitalisation plan that may ultimately result in a debt-for-equity swap.

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URANIUM PRICES	LONG TERM PRICE US\$/lb U ₃ O ₈	SPOT PRICE US\$/lb U ₃ O ₈
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SLU₃O₈ PRICE OUTLOOK		
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URANIUM PRICES - KAZATOMPROM TAKES CONTROL (Cont'd)

under US\$20.00/lb.

This trend is about to change, however, as Kazakh state owned KazAtomProm, the biggest supplier of uranium in the world, establishes a Swiss marketing arm to trade uranium in preparation for their 3rd quarter, 2018 IPO.

KazAtomProm's Influence on Uranium Prices

KazAtomProm reports that 100% of uranium mined is exported. Hidden in the details is that Kazakh transfer pricing laws force uranium to be sold at publicly verifiable prices to restrict tax avoidance through transfer to subsidiaries in another country at below market rates. As a result, **KazAtomProm has been forced to sell all its product exclusively on the spot market**, which has contributed to utility spot purchases rising to an all-time high (over 22%).

By establishing a separate distribution center that is able to trade uranium for the company, KazAtomProm is about to take back serious control of U₃O₈ prices. Given Saudi Arabia's effect on oil prices through the manipulation of their 13% share of the market, it will be interesting to see what Kazakhstan can do with their 40%.

While there is still some downward pricing pressure due to secondary supply sources, primary supply dominates secondary at a ratio of 4:1 and Kazakhstan represents a lion's share of that supply. It is the changes to the primary uranium supply that investors should be paying attention to.

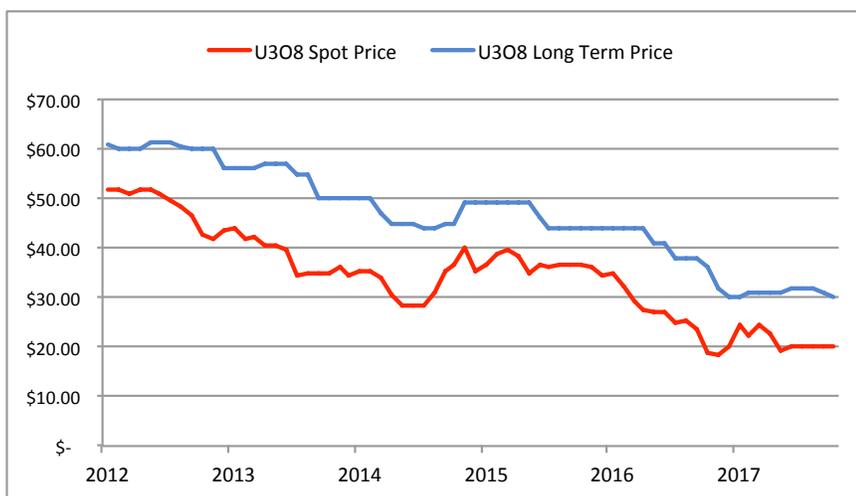
The Swiss marketing arm will change the way KazAtomProm drives their top line financial results, acting as a buffer between producer and purchaser. It allows the company to regain control of their asset value and production without the consequences of plummeting spot prices and further damage to the company's margins.

Why Reduce Production Now

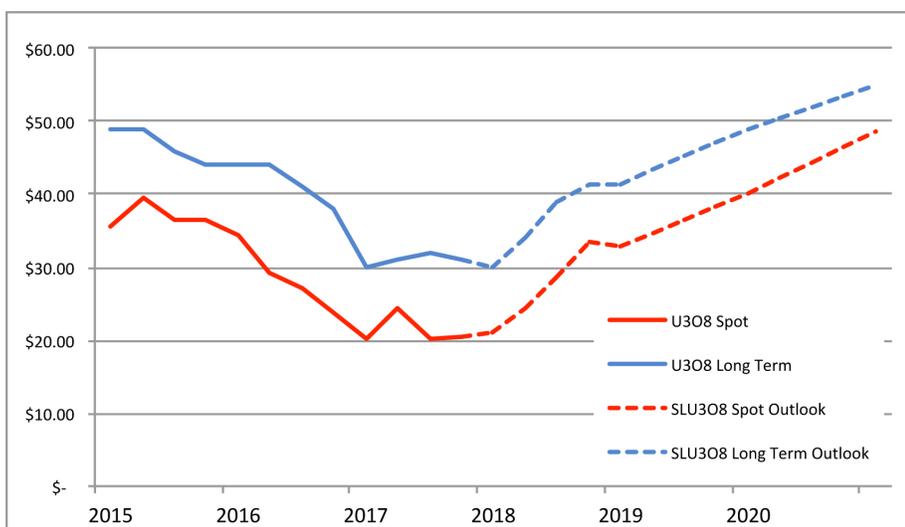
KazAtomProm and a host of other big-name producers (Areva and Cameco included) have been implementing production cuts throughout the year. With KazAtomProm

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U₃O₈ PRICES - HISTORIC



SLU₃O₈ PRICE OUTLOOK



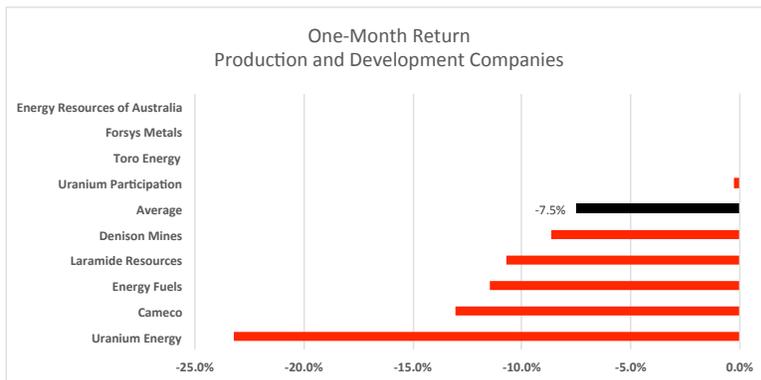
UEQUITIES

PRODUCTION COMPANIES		Country Focus	Price (Aug 31/17)	52 Week Low	52 Week High	Mkt Cap (\$MM)
tse:cco	Camco Corp	Canada	\$10.48	\$9.90	\$17.65	\$4,147.9
tse:dml	Denison Mines Corp	Canada	\$0.53	\$0.49	\$1.10	\$296.3
tse:efr	Energy Fuels Inc	United States	\$1.77	\$1.66	\$3.53	\$127.4
asx:era	Energy Resources of Australia Limited	Australia	\$0.57	\$0.32	\$0.76	\$295.1
uec	Uranium Energy Corp.	United States	\$1.06	\$0.81	\$1.92	\$147.0
DEVELOPMENT COMPANIES						
tse:fsy	Forsys Metals Corp	Namibia	\$0.12	\$0.06	\$0.28	\$17.75
cve:gxu	Govix Uranium Inc.		\$0.19	\$0.09	\$0.44	\$59.83
tse:lum	Laramide Resources Ltd.	United States	\$0.25	\$0.18	\$0.74	\$28.71
asx:toe	Toro Energy Limited	Australia	\$0.03	\$0.03	\$0.06	\$49.19
EXPLORATION COMPANIES						
asx:ae	Aura Energy Limited	Sweden, Mauritania	\$0.02	\$0.02	\$0.05	\$16.76
tse:azz	Azarga Uranium Corp	United States	\$0.24	\$0.18	\$0.57	\$19.34
asx:bm	Bannerman Resources Limited	Namibia	\$0.03	\$0.02	\$0.10	\$25.20
asx:bky	Berkeley Energia Ltd	Spain	\$0.79	\$0.65	\$1.20	\$201.11
asx:dyl	Deep Yellow Limited	Namibia	\$0.20	\$0.02	\$0.64	\$37.91
asx:eme	Energy Metals Ltd	Australia	\$0.10	\$0.05	\$0.28	\$19.03
cve:fuu	Fission 3.0 Corp	Canada	\$0.05	\$0.05	\$0.13	\$9.90
tse:fcu	Fission Uranium Corp	Canada	\$0.55	\$0.49	\$0.92	\$266.67
cve:kiv	Kivalliq Energy Corp	Canada	\$0.08	\$0.07	\$0.19	\$19.76
tse:mga	Mega Uranium Ltd	Australia	\$0.15	\$0.11	\$0.32	\$42.67
tse:nxe	Nexgen Energy Ltd	Canada	\$2.41	\$1.42	\$4.45	\$816.07
cve:plu	Plateau Uranium Inc	Argentina	\$0.28	\$0.17	\$0.71	\$16.15
cve:ptu	Purepoint Uranium Group Inc.	Canada	\$0.06	\$0.06	\$0.19	\$11.35
cve:syh	Skyharbour Resources Ltd	Canada	\$0.35	\$0.25	\$0.70	\$18.80
tse:uex	UEX Corporation	Canada	\$0.16	\$0.15	\$0.43	\$51.08
urg	Ur-Energy Inc. (USA)	United States	\$0.53	\$0.41	\$0.91	\$77.38
asx:vm	Vimy Resources Ltd	Australia	\$0.13	\$0.10	\$0.31	\$46.79
OTHER						
tse:u	Uranium Participation Corp	Canada	\$3.52	\$3.47	\$4.73	\$466.22

Note: Currencies for the price and market cap are respective to the country of trade.

UEQUITIES MONTHLY PERFORMANCE

Producers/Developers



Explorers



URANIUM PRICES - KAZATOMPROM TAKES CONTROL (Cont'd)

establishing a distribution center, you may be wondering why they would cut production now?

As world nuclear fuel demand has just recently (2017) surpassed pre-Fukushima levels, supply has grown 23,000,000 lb U₃O₈ since the demand drop in 2011. The current degree of market supply is unsustainable in the short term, even for one of the lowest cost producers in the world. Which is why Chairman Askar Zhumagaliyev has stated that KazAtomProm will not be increasing production in the next few years.

As some of the 66 reactors under construction begin their initial fuel loadings,

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TOP CORPORATE NEWS

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[Laramide Reports Resource Estimate on Church Rock U Project](#)
October 10, 2017

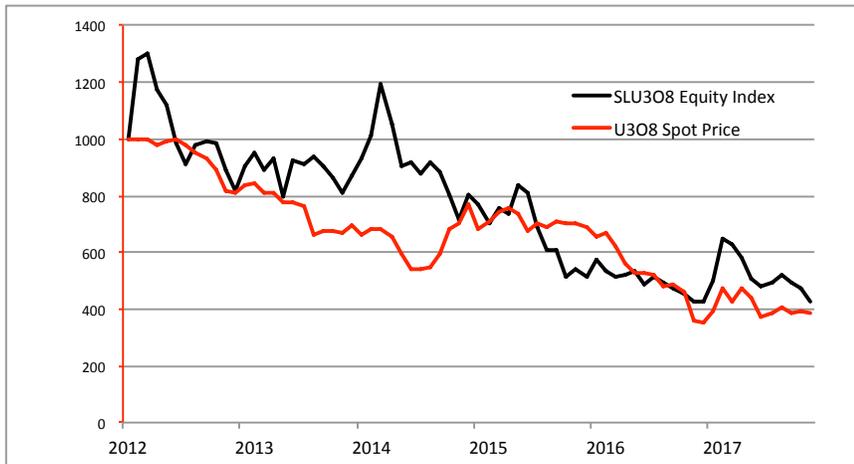
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SLUO EQUITY INDEX



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October 23, 2017

URANIUM PRICES - KAZATOMPROM TAKES CONTROL (Cont'd)

uranium production can and should increase. Seeing as current mining is insufficient to meet demand in the long term (2020+), a financial incentive to do so will soon materialize.

In the short term however, with uranium prices being depressed so significantly, producers are finding it better to limit their supply in order to recover the margins they have lost.

Why Low U₃O₈ Prices Make Sense Thus Far

Kazakhstan's transfer pricing laws are not changing anytime soon. Although KazAtomProm is setting up a Swiss marketing arm that allows them to sell into the contract market, they will still need to sell to Switzerland at publicly verifiable prices.

By selling into KazAtomProm's marketing arm at low prices they can maximize the financial benefit of Switzerland's low 7.83% federal tax rate on EBIT.

With uranium, the timing of price changes is always difficult to pinpoint due to the industry's low transaction volume and the myriad of variables that affect the outcome. Until now, there have been big players (China, Kazakhstan) with an incentive to keep prices low. When one of those players starts singing a different tune, it's time to start paying attention.

The Pressure For Price to Rise

Incentivizing a big price reversal for an entire commodity is tricky business but with a 2018 IPO and a team of big-name consultants, KazAtomProm is getting ready to take charge of uranium pricing. These actions come in addition to independent producers (Cameco, Areva) cutting supply and an increasing number of countries developing and expanding their nuclear capabilities (UAE, China).

We're witnessing the world's largest uranium producer, whose valuation greatly depends on uranium pricing, take very definitive steps to create a favorable outcome for their IPO. And when the world's largest producer of uranium starts making moves that deviate from the pattern established in the last seven years, we should all re-examine where this commodity is heading. ■

PALADIN BONDHOLDERS FACE HIT (Cont'd)



Bondholders, led by JPMorgan, are owed \$US372m and are represented by Korda Mentha, along with law firms Gilbert + Tobin and Kirkland & Ellis.

Paladin collapsed into administration in July, as reported by The Australian at the time, after its French offtake partners EDF wanted the company to come up with \$US277m for the reimbursement of uranium offtake pre-payments.

In its heyday, Paladin was a multi-billion-dollar company and one of the best performing stocks in the world.

But the company has suffered from a six-year downturn in uranium prices, and strict rules have recently been announced by the West Australian government, banning the development of any uranium deposits, with four advanced projects owned by other parties exempted.

Its most valuable asset is the 75 per cent stake it owns in the Namibian uranium mine, Langer Heinrich.

Its partner, China National Nuclear Corporation, weighed a potential acquisition of the asset but opted not to pursue any deal, leaving it in Paladin's hands.

Some estimate its value to be at about \$US500 million.

Even if the state-owned Chinese entity did buy the mine, it would be unlikely to provide the group with enough money to settle all of its debts.

As a secured lender, EDF would appear to be at the front of the creditors' queue should Paladin go under.

Shares in Paladin have been suspended since early last month, when they were changing hands at just 4.7c each.

A decade ago, it was trading at more than \$8 a share.

Beside Langer Heinrich, Paladin also owns the mothballed Kyalakera uranium mine in Malawi and a host of undeveloped uranium deposits in Canada, Queensland and WA. ■

ABOUT THE SLU_3O_8 OUTLOOK

The SLU_3O_8 Outlook; is an in-depth forecast model, optimized to anticipate the timing and extent of pending changes in uranium prices. Projections are maintained quarterly and based on the analysis of uranium price movement relative to detailed supply and demand changes over the past 15 years.

ABOUT THE SLU_3O_8 EQUITY INDEX

The SLU_3O_8 Equity Index tracks the relative share price of a select basket of uranium-based equities, checking the market's reaction to industry activities. The Index is based on share price movement since January 1, 2012 (1,000.00) of the following companies*:

- AREVA SA
- Cameco Corporation
- Denison Mines Limited
- Energy Fuels Inc.
- UEX Corporation
- UR-Energy Inc.
- Uranium Energy Corp.
- Uranium Participation Corp

* As the significant stock price movement of Fission Uranium Corp and NexGen Energy Ltd. is a function of major uranium discoveries, we have not included their stock performance in the Index to better reflect the uranium equities market in general.

ABOUT SIGHTLINE SLU_3O_8

Sightline U_3O_8 is a monthly newsletter and supporting website created and maintained to provide uranium investors and industry stakeholders with a single source of insight into the ongoing factors that directly affect uranium prices.

We welcome your comments, questions and ideas. Please contact us at editor@sightlineu3o8.com

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