

## Sound Investing: Uranium

Dear Fellow Investor,

What most folks don't know about uranium is that it has been used by man for nearly 2,000 years. Of course, it wasn't until fairly recently that we've been able to unlock the metal's mighty power.

Some time in the first century A.D., a small group of potters living in a tiny village near Naples, Italy, discovered that mixing uranium powder with standard glaze gave their ceramics a handsome yellow tint.

The technique was short-lived and disappeared some 400 years later with the fall of the Roman Empire. But in the early 19th century, the Germans rediscovered uranium's aesthetic properties. This time uranium powder was mixed with glass, creating something known as "vaseline glass."

Now, this vaseline glass is pretty darn cool. It has a yellow-green hue in normal light, but glows a wild fluorescent green under ultraviolet light. Take a look at the antique vaseline glass pitcher below.



Under Normal Light

Under Ultraviolet Light

With uranium currently in such short supply, it might seem that this was sort of a waste of good material. But here's something else most people don't know: The radioactive metal is far from rare.

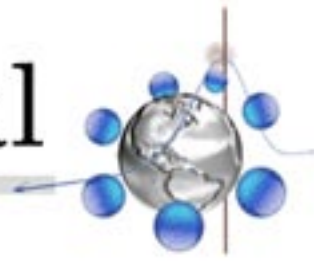
Get a load of this: It's been estimated that the earth's crust contains more than 88 QUINTILLION pounds of uranium. That's 88,000,000,000,000,000! The earth contains so much uranium that you can find it pretty much everywhere. As a matter of fact, it's very likely that there's

uranium right in your own backyard.

But don't worry. The amount of uranium in your backyard is most likely very insignificant. It would have to contain a highly concentrated deposit in order for it to make you sick. And this is a rare occurrence.

The rarity of such highly concentrated deposits actually makes finding the metal in large quantities incredibly difficult. In fact, despite the massive quantity of uranium on this planet, only a small

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number of these highly concentrated deposits have been pinpointed around the globe.

Over 50% of the uranium produced from mines comes from in Canada (28% of world supply), and Australia (23%). Other major producing countries include Kazakhstan, Russia and Namibia.

## Uranium Production from Mines (tons)

Country	2002	2003	2004	2005
Canada	11,604	10,457	11,597	11,628
Australia	6,854	7,572	8,982	9,519
Kazakhstan	2,800	3,300	3,719	4,357
Russia	2,900	3,150	3,200	3,431
Namibia	2,333	2,036	3,038	3,147
Niger	3,075	3,143	3,282	3,093
Uzbekistan	1,860	1,598	2,016	2,300
USA	919	779	846	1,039
Ukraine	800	800	800	800
China	730	750	750	750
South Africa	824	758	755	674
Czech Republic	465	452	412	408
India	230	230	230	230
Romania	90	90	90	90
Germany	212	150	150	77
Pakistan	38	45	45	45
France	20	0	7	7
Brazil	270	310	300	0
<b>Total world</b>	<b>36,063</b>	<b>35,613</b>	<b>40,219</b>	<b>41,595</b>

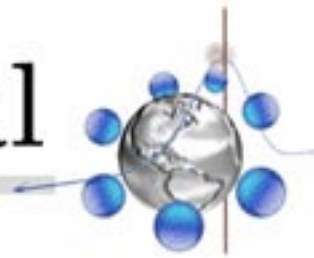
The world's largest undeveloped, high-grade uranium deposit today is Cigar Lake in Saskatchewan. Cigar Lake, operated by Cameco Corp. (TSX: CCO), holds 232 million pounds of U3O8 at a grade of 19%.

Production from Cigar Lake was scheduled to begin in early 2008. At its peak, Cigar Lake was supposed to provide 17% of world's uranium supply. But now the future of the mine is in doubt.

In October 2006, Cameco announced that Cigar Lake had sprung a leak and the underground workings are now completely flooded. From what I hear, the mine may be lost completely. At any rate, Cameco recently reported that production won't start back up for another three years.

News of the flood pushed uranium prices 6.6% higher in October, from \$56 a pound to \$60. The increase was the largest weekly gain in 20 years. But since then, the energy metal has already

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doubled to over \$120/lb!

And although uranium prices haven't had a down month in nearly five years, I think the radioactive metal still has a lot of steam behind it.

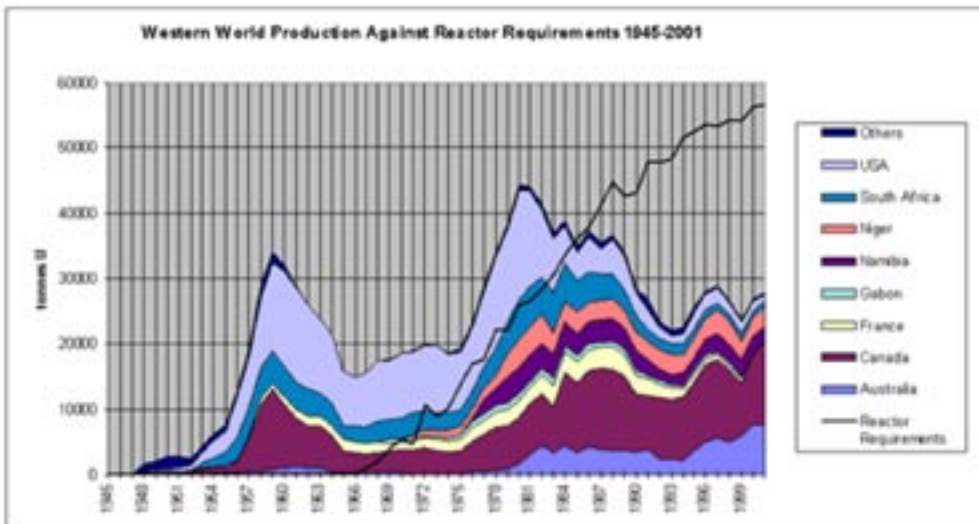
About 16% of the world's electricity came from 440 nuclear reactors last year. This figure is constantly growing. Right now there are 29 reactors under construction around the world and another 66 being planned. Japan alone intends to add 11 more by the year 2010 and China hopes to add 24 to 30 by 2020.



So right off the bat we know that demand for the radioactive metal is set to increase just because of the growth in nuclear power generation.

Now get this . . .

Production from the world's uranium mines now supplies only about 60% of the requirements of the world's nuclear power utilities leaving a wide gap between production and demand.



The world's 440 reactors have a combined capacity of some 370,000 megawatts that require about 77,000 tons of uranium per year. Yet in 2006, mines supplied only about 50,000 tons of uranium.

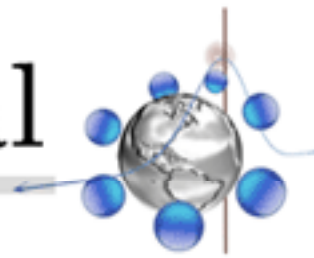
The shortfall has been made up largely from government stockpiles and recycled nuclear weapons. But these supplies are currently running thin and certainly

won't last very much longer.

The supply-demand balance for uranium is tighter than any other major commodity. And the flooding at Cigar Lake didn't help.

With a global building boom for nuclear power plants underway, demand for uranium is only going to

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rise. With rising demand will come increased prices. And considering that the market had little breathing room in the first place, Cameco's recent news underscores our investment position on uranium.

Simply put, investing in uranium is a "no-brainer." Uranium prices are almost guaranteed to continue increasing in value.

And if prices keep increasing like they have over the past 12 months, I expect uranium to top \$255 a pound by the end of 2008.

You read that right . . . uranium prices could more than double by the end of next year.

So how can you leverage higher uranium prices?

Well, the NYMEX just recently began trading uranium futures contracts, but it's very illiquid right now. I think we should hold off and see how it progresses over the next few months.

Personally, I like the upside of mid- to small-cap explorers right now . . . Especially those trading on the TSX Venture Exchange.

I recommend looking for junior mining firms with savvy management, a proven track record and a decent land package in a geopolitically safe country.

These firms should also have mid- to advanced-stage properties. Historic production and drill results are always a plus. I expect firms like these do to very well over the next 3 to 5 years.

I've found a complete list of uranium explorers and producers for you to look at, courtesy of wise-uranium.org. You can see this list by clicking [here](#).

Good luck and have fun investing,

Keith Kohl  
Editor, EnergyandCapital.com

P.S. To learn how to profit from the rising prices in uranium and the precious metals market, [read on](#).

Or go to: <http://www.angelnexus.com/o/web/3117>