under the radar report
SMALL CAPS

ISSUE Shares for Beginners
31 JANUARY 2024

URANIUM GOING NUCLEAR

Uranium and nuclear stocks are off to an explosive start this year. But does it mean that this momentum will continue? There is always some consolidation after big moves. Investors need time to absorb structural change. But make no mistake, that's what we're seeing. As far as we can see, there is no really big alternative to nuclear, as a provider of consistent base load power with almost zero carbon emissions.

As a community, power consumption is only going to go up. Not only in Australia do we have a growing population, but innovations like crypto and AI require huge amounts of additional power. There is increasing electrification in the world.

As an investor, it's about how much you pay, not simply trying to surf the big macro moves. In this issue, we analyse the big move in uranium.

Under the Radar Report has been one of the earliest movers in this sector and as a result we have deep knowledge not only at the industry level, but also in terms of individual stocks. There are many juniors that are vying for attention and stock picking in this sector has never been more important. You need an expert to guide you on this front, which is what you will get if you subscribe to Under the Radar Report. You've heard Peter Chilton on Shares for Beginners. Now you can get his advice regularly.

One of the stocks has a distinct technology advantage and has partnered with the biggest uranium producer in the world, outside of Kazakhstan. Others that we favour are closing in on uranium production and have differing competitive advantages.

More to the point, there are still select stocks with exposure to nuclear energy that remain good value. Time is of the essence! Stocks do not remain "on sale" forever.

Special Shares For Beginners offer

Find out our favourite Uranium stocks to buy now. The two stocks in Issue 583 alone are worth knowing about and we believe they should be able to find a position in almost any portfolio. We are talking about structural change, after all.

Access these uranium stocks with a special 10% discount!
Use promo code: Beginners

the issue

NUCLEAR REPORT PART 1

We investigate the forces behind the phenomenal rise in the uranium oxide price, which has climbed 28% in the past few weeks alone. Find out how you can position your portfolio to benefit.

NUCLEAR REPORT PART 2

Nuclear power is now in the global energy mix. This week we focus again on the forces behind the rising uranium price and the emergence of uranium juniors

SPECIAL OFFER: SAVE 10%

Access our Uranium Stocks + research on 100 ASX Small Cap stocks. Grow your portfolio and save 10% on our research today. Use promotion code: Beginners.

When momentum is going your way, things fall into place more often than not. We've made more than 3-fold on Paladin Energy since we first tipped it in mid-2021 and we forecast more to come.

UTRR mining analyst, Peter Chilton



Richard Hemming
Head of Investments

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URANIUM GOING NUCLEAR

Uranium Oxide (U308) spot price over five years in US$ per pound.



The uranium price has climbed a further 28% since the start of the year, which is still less than three weeks old! This reflects a lack of U308 for near-term delivery. The shares prices of many uranium mining or development companies are rising along side the commodity. Some of these stock have been recommended by Under the Radar Report. More to the point, we expect this trend to continue because uranium supply cannot simply be ramped up.

SOURCE: Trading Economics

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NUCLEAR REPORT PART 1 CONT.

A TALE OF TWO COUNTRIES LEADS TO A SPIKE IN URANIUM PRICES

Kazakhstan produces around 40% of the world's uranium, so it's fair to say that this country is critical to the uranium price. Last week, Kazatomprom, which manages the uranium out of the country, announced expected production shortfalls for 2024, possibly extending into 2025, due to a shortage of sulphuric acid (used in processing) and delays to new projects. There have now been confirmed reports of U3O8 trading at US$100/lb.

On the other side of the equation is the demand side, where China is the biggest player on the power station and battery fronts. The Asian giant is on the hunt for U3O8 to supply its own expansive nuclear power program. One of the supply issues is China (and Russia) trying to stitch up deals with Kazatomprom U3O8 suppliers and other suppliers globally. This creates competition for U3O8 from much needed new sources.

URANIUM STOCKS ARE DIMINISHING

For at least a decade prior to 2023, new uranium oxide sales contracts had been below processing rates due to the reliance by power utilities on stocked inventory. U308 mined production was less than the actual demand.

These U3O8 stocks have now dwindled. As a result, long-term contracting volumes are finally reflecting replacement rates. During 2023 volumes were at record levels with 160.5m pounds U3O8 signed into long-term contracts in 55 separate deals.*

REMEMBER COP28?

The climate summit late last year hosted by the UAE and held in Dubai signified a further significant positive shift in government attitudes towards nuclear power. A total of 22 nations signed a pledge to triple global nuclear power capacity by 2050. This partly reflects that public attitudes have become much more positive towards the use of nuclear power as new technology translates to greater safety.

THE US IS GOING NUCLEAR

US legislation has been passed that promotes domestic uranium oxide mining and conversion facilities. The government is passing multiple bills to revitalise its nuclear industry by supporting the growth of nuclear power and the domestic uranium fuel cycle. Some of the legislation has been designed to curtail the country's reliance on imports from Russian sources, which has been supplying almost 25% of US demand. However, commentators have suggested it could take five years to build a U3O8 supply chain independent of Russia.

AI NEEDS MORE THAN JUST BRAIN POWER

It is becoming recognised that AI is a high energy consumer, providing a 'brand new' source of demand. Further, the data centres that it will require will need high quality 24/7 base load power. Technology companies such as Microsoft have identified nuclear power as the best source of carbon-free power that is reliable enough for its AI strategies.

INVESTMENT SUMMARY

Atomic-based energy is gaining acceptance by governments and the public as technology advances, safety increases and its emission-free status gains in importance. There is also increasing recognition of the limitations of wind and solar. Uranium stocks we've recommended are climbing, as well as a nuclear technology company. It's all systems go!

Find out our favourite Uranium stocks to buy now. The two stocks in Issue 583 alone are worth knowing about and we believe they should be able to find a position in almost any portfolio. We are talking about structural change, after all.

Access these uranium stocks with a special 10% discount!
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*Source UxC, a leading nuclear market research and analysis company.

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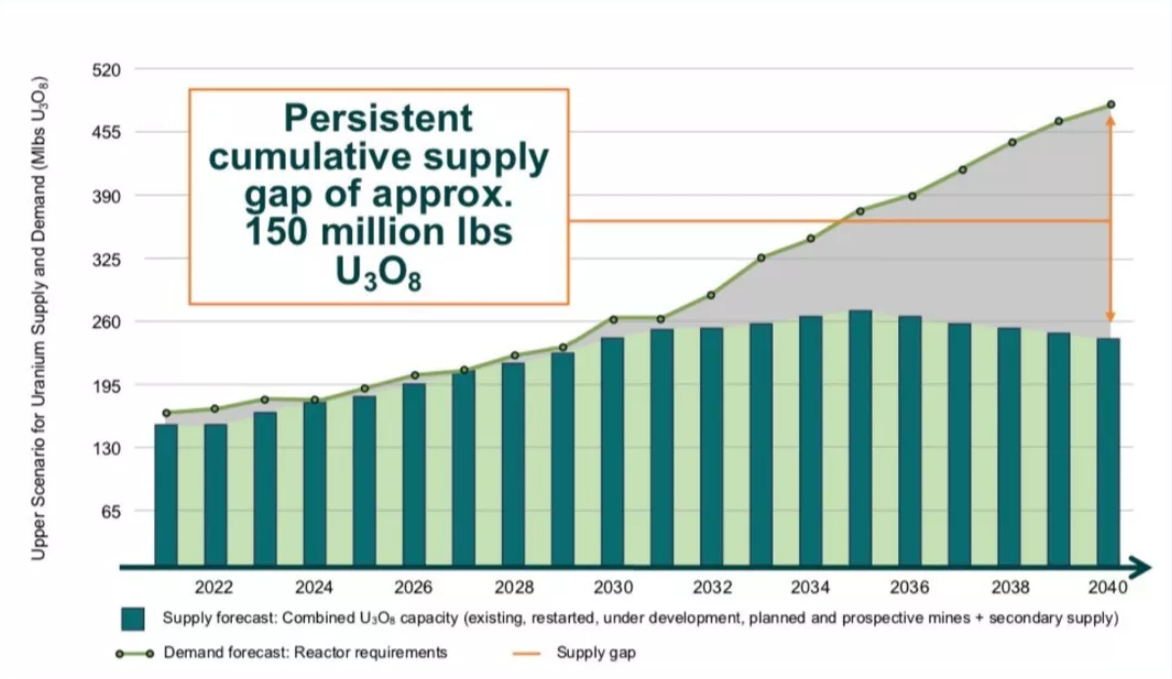
NUCLEAR REPORT PART 2

This week we focus again on the forces behind the rising uranium price, looking at the widening gap between supply and demand. We also highlight the emergence of uranium companies and the importance of judging each on their own merits. We continue to like our favourite stocks in the sector.

THE URANIUM RESURGENCE

Uranium (U3O8) supply and demand historic and forecast.



A lot of new uranium capacity is required to fill projected demand. That demand comes from increases in nuclear power generation. The uranium price has been climbing because nuclear fuel stockpiles are diminishing and uranium production needs to fill the gap. This trend has been exacerbated by geopolitical forces such as the Ukraine war and the dangers of reliance on Russia for enriched uranium.

SOURCE: World Nuclear Association, Nuclear Fuel Report 2023-2040

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NUCLEAR REPORT PART 2 CONT.

KAZAKHSTAN PRODUCTION UNCERTAINTY

There had been a general expectation that a production ramp-up in Kazakstan would take some of the pressure out of the uranium market. However, in last week's note, we pointed to supply shortfalls at Kazatomprom, which manages the uranium out of the country due partly to a shortage of sulphuric acid, used for processing.

The uranium supply shortfall on a global basis is highlighted in the above graphic and is due to a combination of a lack of mining, combined with low enrichment capacity (which the US is belatedly trying to fix) and increasing demand for nuclear power.

Declining uranium resources are not being replenished with new resources quickly enough. Significant capital investment is needed just to maintain current uranium production levels.

BEWARE OF JUNIOR URANIUM STOCKS

With higher uranium prices, the number of junior uranium exploration companies is rapidly increasing, providing increasing options for uranium investors. Some of these are accessing very prospective, largely undeveloped basins or dusting off earlier prospective exploration that was abandoned due to low prices.

However, with regulatory requirements for uranium companies generally more demanding than for most other commodities, lead times to first production for the successful projects are likely to be in years rather than months.

Many companies may be active for a long time before they succeed in generating their first uranium revenue, despite high prices and rising uranium demand. This is a conundrum for the nuclear power industry. The risk is a slow supply response to the current uranium tightness with uranium prices rising much higher.

The success rate of exploration companies is generally very low. Because of regulatory limitations, the hurdles for uranium exploration companies are likely to be even higher, making many of them extra risky propositions for investors.

INVESTMENT SUMMARY

In the absence of any further movement in the spot price, there has been some profit-taking in uranium stocks in North America and Australia. This is inevitable, but important conference calls by Kaztomprom and the Canadian-listed giant Cameco are coming up in the next few weeks.

We are taking profits from some of the higher-risk uranium stocks like but we regard the fundamentals of those closer to production very highly and if anything, likely to improve. Access our full research on all uranium stocks now. Save 10% use promotion code: Beginners

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99% of all financial news relates to the 40 to 50 biggest companies.
So what about the rest? They're Under the Radar.

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