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Media Release: The Case for ASX Listed Uranium Stocks

“Sometimes the best thing for low prices is lower prices”

Michael Goldberg, Managing Director and Portfolio Manager, Collins St Asset Management

Since 2011 uranium has been in a deep bear market with the spot price falling 70%. Such a savage and prolonged decline, well beneath the average ~USD\$50 per pound cost of production, has seen many marginal producers leave the market.

Those companies with balance sheets strong enough to stay in business have largely mothballed mines and sought to fill contractual obligations to the ~450 nuclear reactors worldwide by purchasing uranium on the spot market.

According to Michael Goldberg:

“This has effectively run down global uranium reserves and placed the market at an inflection point where new supply, which can take up to 2 years to come on line and produce usable uranium rods, needs to be incentivised through a substantial uptick in price. As an unconstrained ‘value’ manager we became attracted to the uranium sector some 18 months ago based on the compelling valuations and longer tail winds supporting the sector”

As a clean, safe, cost-effective and reliable source of energy, 18 countries led by China and India are expanding their nuclear footprint, with another 53 reactors currently under construction and an additional 110 in the planning stage.

Michael Goldberg notes that:

“Whilst there is a clear long-term case supporting the outlook for uranium, there are also near term catalysts to watch out for as well. Firstly, the impact of recently announced measures in the US Budget that seek to create a USD\$1.5B uranium reserve and support efforts for US based uranium mines. Secondly, many US Utilities are in the market to re-contract and many industry insiders are suggesting prices will be north of USD\$55 a pound compared to a current spot price of ~USD\$25 per pound.

In this environment it is important to focus on companies that not only have strong balance sheets, but also those who can bring high quality supply to the market quickly and reliably.

Michael Goldberg goes on to say:

“It is for these reasons that proper due diligence and analysis of a uranium miner’s operations is critically important. Issues such as proximity to port, availability of qualified staff and the regulatory nuances of each producing jurisdiction need to be fully taken into account in order to preserve investor capital and maximise the potential for a superior investment outcome”.

About the Collins St Value Fund

The Collins St Value Fund is a high conviction, benchmark unaware Australian Equities Fund that is monthly priced and available to wholesale investors only through an Information Memorandum.

Currently the Fund holds a portfolio of ~20 positions across a selection of gold, uranium, financial services, retail and pharmaceutical names as well as currently holding a ~27% cash allocation for impending opportunistic asset acquisitions.

Investors in the Collins St Value Fund do not pay any fixed management fees. In order to align the interests of investors and the portfolio management team, and to ensure a strong focus on capital preservation and capacity management, the only remuneration received is performance based. This arrangement requires portfolio returns to be above the risk-free rate and is subject to a high-water mark.

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Collins St Asset Management

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