

22 July 2019



## **Yellow Cake plc (“Yellow Cake” or the “Company”)**

### **QUARTERLY OPERATING UPDATE**

Yellow Cake, a specialist company operating in the uranium sector with a view to holding physical uranium for the long term, is pleased to report its performance for the quarter ended 30 June 2019.

#### **Highlights**

- Estimated net asset value at 30 June 2019 of £2.18 per share <sup>(1)</sup> or US\$243.7 million, comprising of 9.62 million lbs of physical uranium ( $U_3O_8$ ) valued at a spot price of US\$24.70/ lb <sup>(2)</sup> and other net assets.
- Following quarter end, Section 232 investigation into uranium imports into the US completed, with decision by President Trump not to implement new trade restrictions on imports.
- Successful completion of £25.9 million placing (US\$33.9 million) on 12 April 2019.
- Placing proceeds applied to the purchase of 1.175 million lbs uranium from NAC Kazatomprom JSC (“Kazatomprom”) at a price of US\$25.88/ lb through the partial exercise of Yellow Cake’s option under a ten-year framework agreement.
- Yellow Cake retains the option to purchase additional volumes of uranium from Kazatomprom of up to approximately US\$69.6 million in value during 2019 and up to US\$100 million in value in each of the subsequent eight years, pursuant to the framework agreement.
- Total holding of  $U_3O_8$  of 9.62 million lbs acquired at an average cost of US\$21.68/ lb.
- Total increase in value of  $U_3O_8$  held by Yellow Cake (including the additional purchase) of 13.9% to US\$237.5 million <sup>(1)</sup> relative to the aggregate acquisition cost of US\$208.5 million.

#### **Andre Liebenberg, CEO of Yellow Cake, said:**

“The Section 232 investigation resulted in a long period of uncertainty in the uranium market, with many market participants stepping back from uranium-related investments. We therefore welcome the decision by the US President not to implement new trade restrictions on uranium imports into the United States. We believe this decision will help alleviate uncertainty and perceived risks in the global uranium market. It will also encourage and support the re-engagement of market participants especially from purchasers, not only nuclear utilities but also financial buyers looking to accumulate physical inventories. We expect a measured return to trading activity, and increased end-user demand as contracts are renegotiated and stockpiles replenished. The long term investment case for uranium, and Yellow Cake, remains compelling.”

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(1) Net asset value per share is calculated assuming 88,215,716 ordinary shares in issue and the Bank of England’s daily exchange rate of 1.2676 on 30 June 2019.

(2) Based on the month-end spot prices published by UxC LLC as at 24 June 2019.

## Uranium market developments and outlook

### Uranium Market Developments

Speculation concerning the potential outcomes of the Section 232 investigation in the United States continued to dominate the global market during the June 2019 quarter, in our view. The US Department of Commerce submitted its analysis and recommendations to the White House on 14 April. The decision by the US President not to implement any new trade restrictions on uranium imports into the United States was announced on 12 July.

As part of the decision not to introduce new trade restrictions, the US President also announced the establishment of a United States Nuclear Fuel Working Group. The Working Group will report back to the US President within 90 days and will examine the current state of US domestic nuclear fuel production to reinvigorate the entire nuclear fuel supply chain, consistent with US national security and non-proliferation goals.

Market uncertainty as to the outcome of the Section 232 investigation resulted in reduced spot market transactions: UxC LLC reported total spot volume of 30 million lbs  $U_3O_8$  through the first half of 2019 as compared to 35 million lbs during the comparable period of 2018; purchases by utilities also declined by about 50 percent year-on-year.

The spot market price which began the year at US\$28.50/ lb  $U_3O_8$  and closed the first quarter at US\$25.75/ lb  $U_3O_8$ , languished during the second quarter, falling to US\$24.10/ lb  $U_3O_8$  at the end of May before recovering slightly to US\$24.70/ lb  $U_3O_8$  at the end of the second quarter.

Subsequent to the production cut-backs by several companies including Cameco, Kazatomprom and Paladin Energy, worldwide primary production fell to an estimated 138 million lbs  $U_3O_8$  in 2018, with a slight increase to around 142 million lbs  $U_3O_8$  forecast by UxC LLC for 2019, driven by commitments to specific production centres in Kazakhstan. Based upon anticipated demand of 192 million lbs  $U_3O_8$  and the expected availability of so-called secondary supplies (42 million lbs  $U_3O_8$ ), the global market remains in a slight deficit for the year.

The re-election of Indian Prime Minister Modi refocused the Indian government's commercial nuclear power programme. The Indian government has established an exclusive 10-year budget allocation to support the construction of nuclear power plants as well as approving the development of public/private joint ventures in the nuclear field.

On 7 June, the Japanese Cabinet adopted an energy white paper continuing to call for nuclear power to supply 20 to 22 per cent. of total electricity generation by 2030. Meanwhile, on 12 June, the Nuclear Regulation Authority adopted new rules which would allow the regulator to suspend operations of nuclear plants, which have not completed the construction of all dictated back-up control centres.

### Market Outlook

Market transactional activities are anticipated to increase following the US President's decision regarding the Section 232 investigation on 12 July that no new restrictions on uranium imports will be applied. Clarification of the potential procurement actions, which would be required of US nuclear utilities, is expected to liberate market demand which was held in abeyance pending the Section 232 investigation outcome. We remain confident in the long term price outlook for uranium, albeit we expect the increase in market activity to be measured while the Nuclear Fuel Working Group completes its review of domestic production and the nuclear fuel supply chain during the next three months.

## Net Asset Value

Yellow Cake's estimated net asset value at 30 June 2019 was £2.18 per share <sup>(3)</sup> or US\$243.7 mm, consisting of 9,616,385 lbs of U<sub>3</sub>O<sub>8</sub> valued at a spot price of US\$24.70/ lb <sup>(4)</sup>, a derivative financial liability of US\$2.8 million <sup>(5)</sup> and other net assets of US\$9.0 million <sup>(6)</sup>.

Based on the broker average price on 19 July 2019 of US\$25.19/ lb published by UxC LLP, Yellow Cake's estimated net asset value as at 19 July 2019 was £2.24 per share <sup>(7)</sup>. As at close on 19 July 2019, the Company's share price was £2.25 per share, which represents a 0.3% premium to the above estimated net asset value of £2.24 per share.

## Placement

Yellow Cake successfully completed the placing of 12,000,000 new ordinary shares with existing and new institutional investors on 12 April 2019 at a price of £2.15 per share via an underwritten deal and accelerated bookbuild, while a further 39,086 new ordinary shares were subscribed for by certain of the Company's directors at the same price, increasing the number of shares in issue to 88,215,716.

The placing raised gross proceeds of approximately £25.9 million (approximately US\$33.9 million) before expenses and represents approximately 14 per cent of the issued ordinary share capital of the Company following completion of the placing.

The placing shares were admitted to trading on the AIM market of the London Stock Exchange on 16 April 2019.

Approximately US\$30.4 million (approximately £23.2 million) of the placing proceeds have been applied to the purchase of uranium as described below.

## Purchase of additional uranium

On 12 April 2018, Yellow Cake partially exercised its option under the Kazatomprom framework agreement to acquire 1.175 million lbs uranium from Kazatomprom at a price of US\$25.88/ lb. The total cost of this U<sub>3</sub>O<sub>8</sub> purchase amounted to US\$30,409,000.

Yellow Cake took ownership of the uranium on 31 May and the uranium is stored at Cameco Corporation's Port Hope / Blind River facility in Ontario, Canada

Following completion of this transaction the Company owns c.9.62 mm lbs of uranium.

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(3) Net asset value per share is calculated assuming 88,215,716 ordinary shares in issue and the Bank of England's daily exchange rate of 1.2676 on 30 June 2019.

(4) Based on the month-end spot prices published by UxC LLC.

(5) Estimated current value of the Kazatomprom repurchase option under the framework agreement, which is a potential liability of US\$6.5 mm and may only be exercised if the spot U<sub>3</sub>O<sub>8</sub> price exceeds US\$37.50/ lb for a period of 14 days during the period between 4 July 2021 and 30 June 2027.

(6) Includes cash and cash equivalents of US\$10.5 million.

(7) Net asset value per share is calculated assuming 88,215,716 ordinary shares in issue and a GBP/USD exchange rate of 1.2549 on 19 July 2019.

This announcement contains inside information for the purposes of Article 7 of Regulation (EU) no 596/2014

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## **ABOUT YELLOW CAKE**

Yellow Cake is a London-listed company, headquartered in Jersey, which offers exposure to the uranium spot price. This is achieved through its strategy of buying and holding physical triuranium octoxide ("U<sub>3</sub>O<sub>8</sub>"). It may also seek to add value through the acquisition of uranium royalties and streams or other uranium related activities. Yellow Cake seeks to generate returns for shareholders through the appreciation of the value of its holding of U<sub>3</sub>O<sub>8</sub> and its other uranium related activities in a rising uranium price environment. The business is differentiated from its peers by its lower cost base and ten-year Framework Agreement for the supply of U<sub>3</sub>O<sub>8</sub> with Kazatomprom, the world's largest uranium producer. Yellow Cake currently holds 9.62 million lb of U<sub>3</sub>O<sub>8</sub>, all of which is held in storage in North America.

## **FORWARD LOOKING STATEMENTS**

Certain statements contained herein are forward looking statements and are based on current expectations, estimates and projections about the potential returns of the Company and the industry and markets in which the Company will operate, the Directors' beliefs and assumptions made by the Directors. Words such as "expects", "anticipates", "should", "intends", "plans", "believes", "seeks", "estimates", "projects", "pipeline", "aims", "may", "targets", "would", "could" and variations of such words and similar expressions are intended to identify such forward looking statements and expectations. These statements are not guarantees of future performance or the ability to identify and consummate investments and involve certain risks, uncertainties and assumptions that are difficult to predict, qualify or quantify. Therefore, actual outcomes and results may differ materially from what is expressed in such forward looking statements or expectations. Among the factors that could cause actual results to differ materially are: uranium price volatility, difficulty in sourcing opportunities to buy or sell U<sub>3</sub>O<sub>8</sub>, foreign exchange rates, changes in political and economic conditions, competition from other energy sources, nuclear accident, loss of key personnel or termination of the services agreement with 308 Services Limited, changes in the legal or regulatory environment, insolvency of counterparties to the Company's material contracts or breach of such material contracts by such counterparties. These forward-looking statements speak only as at the date of this announcement. The Company expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward looking statements contained herein to reflect any change in the Company's expectations with regard thereto or any change in events, conditions or circumstances on which any such statements are based unless required to do so by applicable law or the AIM Rules.