

3 February 2020



**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 31 December 2019.

**Highlights**

- Estimated net asset value at 31 December 2019 of £2.11 per share <sup>(1)</sup> or US\$245.3 million, comprising 9.62 million lbs of physical uranium ( $U_3O_8$ ) valued at a spot price of US\$25.00/ lb <sup>(2)</sup> and other net assets.
- Value of  $U_3O_8$  held by Yellow Cake decreased over the quarter from US\$246.7 million <sup>(3)</sup> to US\$240.4 million <sup>(4)</sup>.
- Total  $U_3O_8$  holdings of 9.62 million lbs acquired at an average cost of US\$21.69/ lb.
- Total increase in value of  $U_3O_8$  held by Yellow Cake of 15.3% to US\$240.4 million <sup>(4)</sup> relative to the aggregate acquisition cost of US\$208.6 million.
- Following the conclusion of the Section 232 investigation into uranium imports into the US in July 2019 and the US President’s decision not to implement new trade restrictions on imports, a Nuclear Fuels Working Group (NFWG) was established to review the nuclear fuel supply chain. The NFWG recommendations were expected in mid-November 2019, but have yet to be publicly announced.
- Following the quarter end, the Company’s shares continued to trade at a discount to its underlying net asset value. On 22 January 2020, the Company initiated a share buyback programme to purchase up to US\$2 million of the Company’s Ordinary Shares over three months. The Yellow Cake Board took the decision to implement the share buyback programme as a means of effectively acquiring exposure to uranium at a discount to the commodity spot

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(1) Net asset value per share on 31 December 2019 is calculated assuming 88,215,716 ordinary shares in issue, the Bank of England’s daily exchange rate of 1.321 on 31 December 2019 and the month-end spot prices published by UxC LLC on 30 December 2019.

(2) Month-end spot price published by UxC LLC on 30 December 2019.

(3) Based on the month end spot price published by UxC LLC on 30 September 2019

(4) Based on the month end spot price published by UxC LLC on 30 December 2019.

price. The buyback programme forms part of the Company's broader strategy to deliver value to its shareholders.

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

“Uranium spot market volumes recovered to near 2018 levels in the last quarter, despite the continued uncertainty as to the findings and recommendations of the US Nuclear Fuels Working Group, though volumes were down over the year. With this uncertainty remaining, the spot price has stayed locked in a narrow range.

The long term case for uranium remains sound, in particular as the world increasingly recognises the need for the clean baseload energy nuclear provides. We expect demand to rise as the new nuclear fleet currently under construction comes on stream over the next two years and we see a sustainable return to buying from the major utilities.

Yellow Cake shares have continued to trade at a discount to NAV. We therefore began the share buyback programme we had flagged in late 2019, as a means to acquire additional exposure to uranium at a discount to the commodity spot price. The programme is in line with our strategy to deliver shareholder value, but also indicative of the continued confidence we have in the longer term outlook for uranium”

## **Uranium Market Developments and Outlook**

### Uranium Market Developments

As of the end of December 2019, the US Nuclear Fuel Working Group (NFWG) had yet to announce its findings and recommendations regarding the domestic nuclear fuel cycle.

Subsequent to the earlier Section 232 investigation into the national security implications of uranium imports which concluded in July 2019, the US President established the NFWG. This task force was to report back to the White House within 90 days (10 October 2019) advising its findings and making recommendations to further enable domestic nuclear fuel production if needed. Following the granting of a thirty day extension, the NFWG reportedly completed its evaluation and reached consensus on potential remedies. However, no official announcements have been made to date.

Persistent market uncertainty associated with the earlier Section 232 Investigation, coupled with the formation of the NFWG, contributed to a noticeable reduction in the volume of uranium traded on the spot market during Q3 2019, when a total of 14 million lbs U<sub>3</sub>O<sub>8</sub> were transacted (UxC) compared to 34 million lbs U<sub>3</sub>O<sub>8</sub> during Q3 2018. However, in Q4 2019, spot market volumes recovered to an estimated 17.6 million lbs U<sub>3</sub>O<sub>8</sub>, representing almost 90 percent of the comparable 2018 quarter. According to recent UxC market data, total 2019 spot market volumes approximated 64.2 million lbs U<sub>3</sub>O<sub>8</sub>, a decline of just under 30% compared to the 2018 total (year-on-year).

Since the end of the Q1 2019 when the UxC Spot Price was reported at US\$25.75/ lb, the uranium spot market has been locked into a narrow trading range of US\$24.00/ lb – US\$26.00/ lb for the last nine months of the year. Finishing September at US\$25.65/ lb, the spot price declined to US\$24.00/ lb at the end of October, a decrease of over 6 percent. However, as market volumes rose during the month of November, the spot price followed suit, ending the month at US\$26.00/ lb. Despite reasonably strong market demand exceeding 6 million lbs, during December, the price once again retreated slightly, finishing the quarter at US\$25.00/ lb.

According to the World Nuclear Association (WNA), at the end of 2019, the global commercial nuclear power fleet totalled 442 operable reactors with a combined generating capacity totalling 392,400 Mwe.

Six nuclear reactors entered commercial operations during CY 2019 (5,241 Mwe). However, that gain was offset by the permanent closure of nine reactors with a combined capacity of 5,976 Mwe. In addition, reactor power uprates in CY 2019 totalled 212 Mwe which, combined with the new reactor additions and permanent closures, resulted in a net loss of nuclear capacity of 523 Mwe for the year (approximately 0.1%). Construction started on three reactors: Kursk II- 2 (Russia); Zhangzhou-1 (China), and Bushehr - 2 (Iran). It is worth noting that of the nine reactor closures, seven of the units operated for 40 years or more, with the Muhleberg plant (Switzerland) having entered commercial operations in November 1972.

Effective 30 October 2019, the US Department of State granted 90-day extensions for economic sanction waivers on three non-proliferation related projects in the Republic of Iran. Subsequently on 18 November 2019 (effective 15 December 2019) the sanction waiver for the Fordow Enrichment Plant was terminated due to actions taken by Iran to recommence uranium enrichment. On 30 January, the US Department of State announced that the sanction waivers had been extended for a sixty-day period (to late March).

UxC estimates that 2019 global uranium production totalled 140 million lbs  $U_3O_8$ , a minimal increase from the 2018 level of 138 million lbs. In mid-December, Kazakhstan's Vice Minister of Energy announced that the country's 2019 uranium output would total 5% more than 2018 production level, a net increase of 2.7 million lbs.  $U_3O_8$ . While reconfirming the 20% annual reduction against previously planned levels through 2021 (announced in August 2019), the increase was a result of previously approved measures under Subsoil Use Permits.

Cameco's McArthur River Mine (annual capacity – 18.0 million lbs  $U_3O_8$ ) remained on care and maintenance throughout the year as the company met uranium delivery commitments through a combination of production at Cigar Lake, purchases from the Inkai JV (Cameco – 40%) and open market acquisitions.

In mid-December, the President of Kyrgyzstan signed a decree prohibiting uranium exploration and processing in that Central Asian country. Historically, the Kara Balta Mill which was built in 1951 produced uranium concentrates in support of the former-Soviet Union contributing as much as 20 per cent of annual USSR uranium output. Most recently the plant processed uranium ores from the Zarechnoye Mine in Southern Kazakhstan but ceased operations in late 2015 due to the lack of uranium ores.

### Uranium Market Outlook

The uranium spot market price ended December 2019 at US\$25.00/lb. January saw further deterioration of the price of  $U_3O_8$ , down to US\$24.35/lb. reflecting the persistent market uncertainty resulting from the absence of a decision following the NFWG review.

Assuming the White House does not release the NFWG findings and recommended remedies during the first quarter 2020, the market may continue to languish in the previously established trading range of US\$24.00/lb – US\$26.00/lb. However, increasing uranium demand coupled with significant production cut-backs which will continue through 2020 are expected to exert upward price pressure during 2020.

## Net Asset Value

Yellow Cake's estimated net asset value at 31 December 2019 was £2.11 per share <sup>(5)</sup> or US\$245.3 million, consisting of 9,616,385 lbs of U<sub>3</sub>O<sub>8</sub> valued at a spot price of US\$25.00/lb <sup>(6)</sup>, a derivative financial liability of US\$2.7 million <sup>(7)</sup> and other net assets of US\$7.6 million <sup>(8)</sup>.

Based on the month-end spot price of US\$24.35/lb published by UxC LLP, Yellow Cake's estimated net asset value as at 31 January 2020 was £2.07 per share <sup>(9)</sup>. As at close on 31 January 2020, the Company's share price was £1.87 per share, which represents a 10% discount to the above estimated net asset value of £2.07 per share.

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(5) Net asset value per share on 31 December 2019 is calculated assuming 88,215,716 ordinary shares in issue, the Bank of England's daily exchange rate of 1.321 on 31 December 2019 and the month-end spot price published by UxC LLC on 30 December 2019.

(6) Based on the month-end spot price published by UxC LLC on 30 December 2019.

(7) 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.

(8) Includes cash and cash equivalents of US\$8.0 million.

(9) Net asset value per share is calculated assuming 88,155,716 ordinary shares in issue (excluding shares held in treasury), a GBP/USD exchange rate of 1.3093 and the month end spot price published by UxC LLC on 27 January 2020.

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.