

20 April 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 March 2020.

Highlights

- Yellow Cake wishes to reassure shareholders that at present it is not adversely affected, either operationally or financially, by Covid-19. Yellow Cake benefits from an extremely strong capital position and has sufficient working capital for at least two years before needing to take any measures to access additional funds. The Company has no debt or hedges on its balance sheet.
- The escalation of the pandemic has significantly impacted global uranium supply as the world’s largest uranium producers have had to curtail production, resulting in upward pressure on the uranium price during the quarter and after quarter-end.
- Value of U₃O₈ held by Yellow Cake increased over the quarter from US\$240.4 million ⁽¹⁾ to US\$263.5 million ⁽²⁾, reaching US\$312.5 million ⁽³⁾ on 17 April 2020.
- Estimated net asset value at 31 March 2020 was £2.45 per share ⁽⁴⁾ or US\$267.1 million, comprising 9.62 million lbs of physical uranium (U₃O₈) valued at a spot price of US\$27.40/ lb ⁽⁵⁾ and other net assets.
- Yellow Cake's estimated net asset value as at 17 April 2020 was £2.88 per share ⁽⁶⁾.
- Total increase in value of U₃O₈ held by Yellow Cake at quarter end of 26% to US\$263.5 million ⁽²⁾ relative to the aggregate acquisition cost of US\$208.6 million.

(1) Based on the month end spot price of US\$25.00/ lb published by UxC LLC on 30 December 2019.

(2) Based on the month end spot price of US\$27.40/ lb published by UxC LLC on 30 March 2020.

(3) Based on the Broker Average Price of US\$32.50/ lb published by UxC LLC on 17 April 2020.

(4) Net asset value per share on 31 March 2020 is calculated assuming 88,215,716 ordinary shares in issue less 309,788 shares held in treasury, the Bank of England’s daily USD/ GBP exchange rate of 1.2403 on 31 March 2020 and the month-end spot price published by UxC LLC on 30 March 2020.

(5) Month-end spot price published by UxC LLC on 30 March 2020.

(6) Yellow Cake's estimated net asset value on 17 April 2020 was US\$316.1 million, consisting of 9,616,385 lbs of U₃O₈ valued at the Broker Average Price of US\$32.50/ lb published by UxC LLC on 17 April 2020, a derivative liability of US\$2.6 million and other net assets of US\$6.2 million as at 31 March 2020. The estimated net asset value per share as at 17 April 2020 is calculated assuming 88,215,716 ordinary shares in issue less 393,067 shares held in treasury on that date and a USD / GBP exchange rate of 1.2499.

- Total U₃O₈ holdings of 9.62 million lbs acquired at an average cost of US\$21.69/ lb.
- At the beginning of the quarter, 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 price and delivering value to its shareholders. As at 31 March 2020, the Company had purchased 309,788 shares (held in treasury) at a volume weighted average price of £1.82 per share.
- As at close on 17 April 2020, the Company's share price was £2.26 per share, which represents a 22% discount to the above estimated net asset value of £2.88 per share on that date.

Andre Liebenberg, CEO of Yellow Cake, said:

“Supply side pressures have been building in the uranium market for some time, as low prices have forced many producers to cut output. These have now been exacerbated by the effects of Covid-19, which has resulted in further downward pressure on uranium production, taking yet more supply out of the market. We have already seen uranium prices respond with a strong uplift in March, and this has continued into April with the spot price exceeding 30 dollars per pound. Yellow Cake remains uniquely positioned to benefit from this supply side pressure and the resulting uranium price increases. We remain confident in the long term outlook for the commodity, as demand continues to exceed supply.”

Uranium Market Developments and Outlook

Uranium Market Developments

The uranium spot market price ended CY2019 at US\$25.00/ lb U₃O₈ (a deterioration of 12% over the year), having averaged US\$25.68/ lb U₃O₈ for the year. The month of January saw a further decrease to US\$24.25/ lb U₃O₈ at month end followed by a modest strengthening to US\$24.70/ lb U₃O₈ at the end of February. Trading volumes on the spot market were relatively modest at 4.2 million lbs U₃O₈ in January and only 3.2 million lbs U₃O₈ in February.

The spot uranium price rose sharply during March, increasing 11% to US\$27.40/lb U₃O₈. Transactional volumes increased markedly totalling 9.0 million lbs U₃O₈ with a monthly record number of transactions (76).

Based upon Congressional testimony by the U.S. Secretary of Energy, Dan Brouillette, the Nuclear Fuel Working Group (NFWG) report had been expected to be released during the first week of March. Yellow Cake understands that the principal recommendation supports a uranium purchase programme by the federal government. However, the emergence of the Covid-19 pandemic has further delayed the report's availability.

Forward uranium requirements, yet to be contracted for, remain substantial especially for nuclear utilities in the United States and the European Union. During January and February, utility interest in long-term uranium purchase agreements appeared to be increasing as formal requests for offers and off-market discussions between utilities and producers increased. However, utility interest abated as a result of Covid-19, but term contracting interest may resume by mid-year.

In March, the escalation of the Covid-19 global pandemic resulted in major shifts in the nuclear fuel markets, especially in U₃O₈. In response to government-imposed social distancing restrictions, coupled with the remote locations of several uranium mining districts which necessitate fly-in, fly-out personnel rotations, Cameco announced (23 March) that Cigar Lake, the world's largest uranium mine (18.0 million lbs U₃O₈/ year) located in Northern Saskatchewan, would be placed on safe care and maintenance for an initial four weeks, subject to ongoing assessment. On 13 April Cameco announced that it would extend the temporary shutdown at Cigar Lake from four weeks to an indeterminate period.

In a press release on 16 March, Kazatomprom advised that it would closely monitor the Covid-19 situation in southern Kazakhstan, where the country's uranium mining and processing facilities are located and that it would "not hesitate to take any actions necessary to keep people safe, ensure the environment is protected and our assets properly managed during this global pandemic. Actions taken could result in lower production due to pre-emptive suspensions of one or more operations." On 7 April, Kazatomprom announced that on-site staffing at the uranium mines would be reduced to minimum levels for a three-month period, resulting in the loss of production estimated at 4,000 tU (10.4 million lbs U₃O₈) for the year.

On 28 March, the Namibian government announced a partial lock-down, including minimal mining operations, in the Erongo region where both the Rossing uranium mine (China National Uranium Corporation) as well as the Husab uranium mine (China General Nuclear) are located. These two uranium operations produced 13.3 million lbs U₃O₈ in aggregate in 2018.

Uranium Market Outlook

Yellow Cake expects that the global uranium market will continue to be dominated by the effects of Covid-19 in the near term.

Demand

Assuming gradual economic recovery as national economies emerge from lock-downs, commercial nuclear power can be expected to maintain a fundamental role in the provision of crucial electricity generation. There has been, and will continue to be, minor disruption in reactor operations in specific countries as well as planned refuelling outages. However, the impacts on uranium demand are not expected to be significant nor long-lasting.

Regarding the forecast state of global commercial nuclear generation during 2020, several factors could come into play to reduce nuclear generated electricity. Depending upon the rate and eventual level of economic recovery during the year, nuclear generation could be impacted by reduced industrial consumption as well as demand shifts from the residential and commercial sectors. For example, Electricité de France (EdF) reported that French nuclear power output in March decreased by 13.8% year-on-year. The South African utility, Eskom, has taken Koeberg NPP Unit 2 offline to perform maintenance work, taking advantage of a significant drop in electricity demand during the Covid-19 lock-down.

The U.S. Energy Information Administration (USEIA) released its latest "Short-Term Energy Outlook" on 7 April. Taking into account a broad spectrum of assumptions regarding the U.S. economy and Covid-19 restrictions, USEIA forecasts total electric power sector generation will decline by 3% in 2020, led by coal-fired generation which is anticipated to decline by 20% as compared to 2019. However, nuclear generated electricity is expected to fall by only 1.7% year-on-year.

Supply

Depending upon the severity and duration of the global pandemic, effects on the global nuclear fuel cycle may be substantial. Reductions in operations throughout the front-end of the fuel cycle (U_3O_8 production and conversion facilities in particular) have been pervasive as highlighted above. The restart of these facilities in a timely manner will minimize market impacts but prolonged reductions/shut-downs will place further stress on individual market segments, especially natural uranium concentrates. Uranium prices have already responded with a strong uplift throughout March and extending into the month of April, with the uranium spot price reaching US\$32.50/ lb U_3O_8 on 17 April 2020.

Net Asset Value

Yellow Cake's estimated net asset value on 31 March 2020 was £2.45 per share⁽⁷⁾ or US\$267.1 million, consisting of 9,616,385 lbs of U_3O_8 valued at a spot price of US\$27.40/ lb⁽⁸⁾, a derivative liability of US\$2.6 million⁽⁹⁾ and other net assets of US\$6.2 million⁽¹⁰⁾.

Yellow Cake's estimated net asset value as at 17 April 2020 was £2.88 per share⁽¹¹⁾ or US\$316.1 million, consisting of 9,616,385 lbs of U_3O_8 valued at the Broker Average Price of US\$32.50/ lb published by UxC LLC on 17 April 2020, a derivative liability of US\$2.6 million and other net assets of US\$6.2 million as at 31 March 2020.

As at close on 17 April 2020, the Company's share price was £2.26 per share, which represents a 22% discount to the above estimated net asset value of £2.88 per share.

(7) Net asset value per share on 31 March 2020 is calculated assuming 88,215,716 ordinary shares in issue less 309,788 shares held in treasury and the Bank of England's daily exchange rate of 1.2403 on 31 March 2020.

(8) Based on the month-end spot price published by UxC LLC on 30 March 2020.

(9) 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_3O_8 price exceeds US\$37.50/ lb for a period of 14 days during the period between 4 July 2021 and 30 June 2027.

(10) Includes cash and cash equivalents of US\$6.5 million.

(11) The estimated net asset value per share as at 17 April 2020 is calculated assuming 88,215,716 ordinary shares in issue less 393,067 shares held in treasury on that date and a USD / GBP exchange rate of 1.2499.

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 ("U₃O₈"). 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 U₃O₈ 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 U₃O₈ with Kazatomprom, the world's largest uranium producer. Yellow Cake currently holds 9.62 million lb of U₃O₈, 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 U₃O₈, 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.