



PURE EXPOSURE TO THE  
URANIUM COMMODITY

INVESTOR  
PRESENTATION

May

**2021**



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# Yellow Cake



## Strategy

To buy and hold physical uranium and to deliver maximum exposure to the expected resurgence in the uranium market

## Industry Context

Steady uranium demand growth from nuclear reactor build programme

Sustained low uranium prices have led to supply cuts

Additional supply risks due to Covid-19, with utilities set to re-enter market

Restricted investment into new supply sources

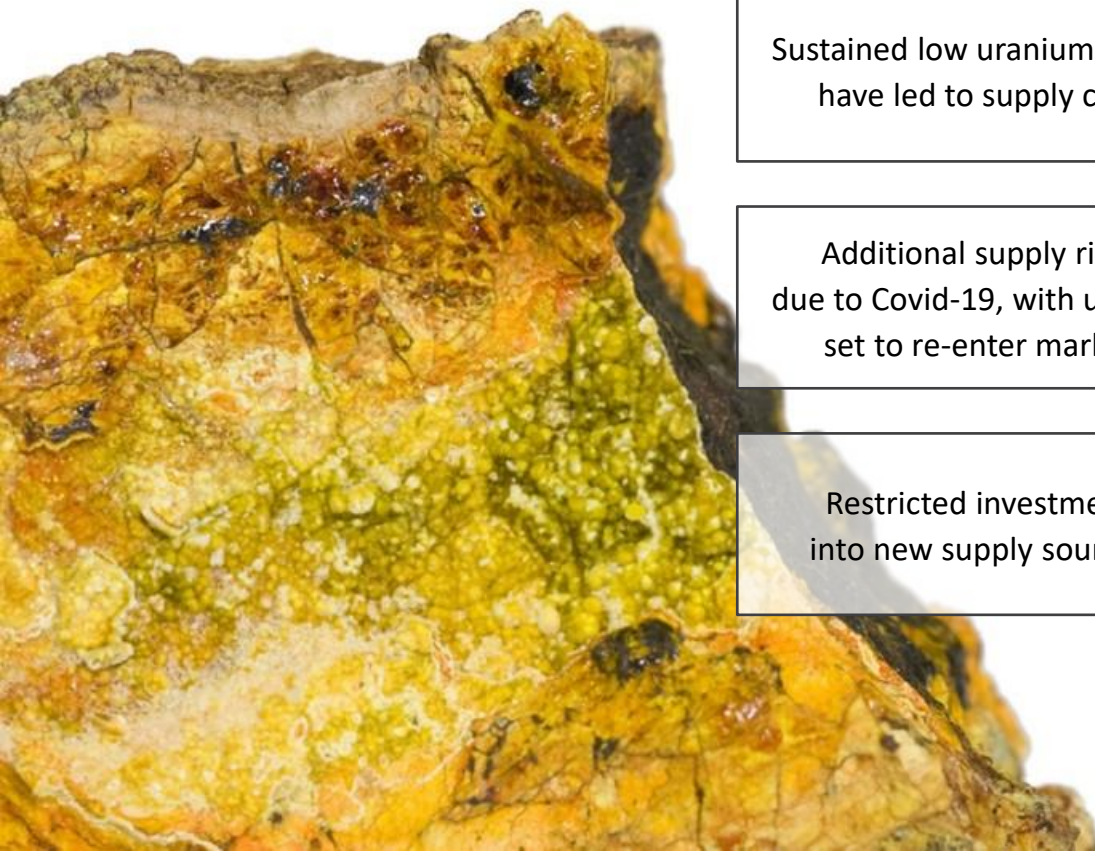
## Investment Highlights

Holds physical  $U_3O_8$

No exposure to exploration, development, mining or processing risks

Low-cost structure

Access to US\$100 mm p.a. of uranium at the spot price



# Uranium market update

April 2021



- The UxC U<sub>3</sub>O<sub>8</sub> Spot price ended March at US\$30.65/lb. as near-term demand generated principally by junior uranium companies buying resulted in the price increasing by US\$2.45/lb. (almost 9%) during the month
- During April the month-end Spot U<sub>3</sub>O<sub>8</sub> price declined to US\$28.65/lb., a decline of US\$2.00/lb. or 6.5%. UxC reported 18 transactions totalling 2.4 Mlb (it was below average monthly volume and the lowest month of April volume since 2014)
- On 26 April, UxC reported that 2020 global production totalled 124.6 Mlb (17.4 Mlb U<sub>3</sub>O<sub>8</sub> or 12% year-on-year less than 142 Mlb reported in 2019), principally driven by reductions in operations due to the COVID-19 pandemic
- Kazakhstan experienced the largest year on year decline in total output (8.6 Mlb U<sub>3</sub>O<sub>8</sub> or 14.5%) closely followed by Canada (down 7.9 Mlb or 44%)
- Australia reported production of 16.0 Mlb during 2020, 1 Mlb less than in 2019, while uranium output in Namibia and Russia remained relatively stable
- Uranium production in the Republic of Niger increased 23% reaching 9.5 Mlb U<sub>3</sub>O<sub>8</sub> in 2020, increasing from its 2019 level of 7.8 Mlb U<sub>3</sub>O<sub>8</sub>

## Cameco Corporation

- On 9 April 2021 Cameco announced the planned restart of the Cigar Lake Uranium Mine which had initially been placed on care and maintenance effective 13 April 2020 in response to the COVID-19 pandemic
- The company reported total 2020 uranium production of 5.0 Mlb from the facility. Cameco stated *“The timing of production restart and the production rate at Cigar Lake will be dependent on how quickly we are able to remobilize the workforce.”*
- In its recently released MD&A (2021 First Quarter Report), Cameco advised that planned 2021 market purchases of uranium to meet existing delivery commitments and maintain working inventory were being increased from the previous estimate of 8-10 Mlb to 11-13 Mlb
- At the end of March, Cameco had purchased 1.5 Mlb for the year

# Uranium market update

April 2021



- Under its restructured Inkai JV agreement with Kazatomprom, Cameco is entitled to purchase 4.9 Mlb from the production facility at a discount to the spot price

## Kazatomprom

- Kazatomprom's first quarter operating results 2021 operating results showed total output fell by 6% from the previous year (12.8 Mlb versus 13.6 Mlb in 2020)
- Kazatomprom's latest guidance for 2021 shows total Kazakh production returning to 58.5-59.3 Mlb with the caveat that *"the duration and full impact of the COVID-19 pandemic is not yet known. Annual production volumes could therefore vary from our expectations."*

## China

- In mid-April, China approved the construction of five nuclear power plants including four large-scale reactors and a demonstration small modular reactor (SMR)
- The decision follows the most recent Five-Year Plan (2021-2025) calling for 70 Gwe of operating nuclear capacity by 2025
- China Nuclear Energy Association (CNEA) reports that site approval for an additional 40 reactors has been granted with a further 60 units planned for the long-term

## Japan

- Japan's Ministry of Economy, Trade and Industry (METI) announced (23 April) that the national government's most recent greenhouse gas emissions reduction target (46% CO<sub>2</sub> emissions reduction), will necessitate expedited restarts of idled nuclear reactors
- METI is reviewing its current strategic energy plan which calls for nuclear power to provide 20-22% of Japan's electricity generation by 2030-2031

# Uranium market update

April 2021



## UPC and Sprott Asset Management

- On 28 April, Uranium Participation Corporation (UPC) announced an agreement with Sprott Asset Management to create the “Sprott Physical Uranium Trust,” a newly-formed entity to be managed by Sprott Asset Management. UPC would become a wholly-owned subsidiary of the Trust. The transaction is subject to shareholder approval
- The existing Management Services Agreement with Denison Mines Inc. will be terminated. Sprott has retained the services of WMC Energy to assist with “all matters involving physical uranium.”
- Subsequent to the announced restructuring, UPC entered into a bought deal financing arrangement to raise in excess of C\$70 million with the net proceeds of the offering to be used to fund future purchases of  $U_3O_8$  and/or  $UF_6$  and for general corporate purposes
- The Sprott Physical Uranium Trust could lead to consistent buying of physical uranium from the spot market. This highlights the value of Yellow Cake’s option agreement to purchase US\$100 million of physical uranium from Kazatomprom at the spot price

# Estimated pro-forma net asset value

On 7 May 2021, the ordinary shares of Yellow Cake closed on the LSE at a value of GBP 2.65 per share, which represents a 13% premium to the net asset value of GBP 2.35 per share

Investment in Uranium		Units	
Uranium oxide in concentrates (“U <sub>3</sub> O <sub>8</sub> ”) <sup>(1)</sup>	(A)	lb	13,305,601
U <sub>3</sub> O <sub>8</sub> fair value per pound <sup>(2)</sup>	(B)	US\$/lb	30.38
U <sub>3</sub> O <sub>8</sub> fair value <sup>(2)</sup>	(A) x (B) = (C)	US\$ mm	404.2
Uranium derivative liability <sup>(3)</sup>	(D)	US\$ mm	(3.4)
Cash and other net current assets/(liabilities) <sup>(4)</sup>	(E)	US\$ mm	22.7
Net asset value in US\$ mm	(C) + (D) + (E) = (F)	US\$ mm	423.6
Exchange Rate	(G)	USD/GBP	1.3989
Net asset value in £ mm	(F) / (G) = (H)	£ mm	302.8
Number of shares in issue less shares held in treasury	(I)		128,584,345
<b>Net asset value per share</b>	<b>(H) / (I)</b>	<b>£/share</b>	<b>2.35</b>

Source:

- 1) As at 31 March 2021, Yellow Cake held 9,856,385 lb U<sub>3</sub>O<sub>8</sub>. Pro-forma adjustment includes the addition of 3,454,231 lb U<sub>3</sub>O<sub>8</sub> that Yellow Cake has committed to purchase from Kazatomprom for a cash consideration of US\$100.0 (delivery between May and August 2021), the addition of 343,053 lb U<sub>3</sub>O<sub>8</sub> which Yellow Cake has committed to buy in the market for a cash consideration of US\$10.0 m (delivery May 2021) and the deduction of 348,068 lb U<sub>3</sub>O<sub>8</sub> which Yellow Cake sold to Uranium Royalty Corp. for a cash consideration of US\$10.0 m in April 2021
- 2) Fair value is based on the Broker Average Price published by UxC, LLC on 7 May 2021
- 3) Uranium derivative liability as at 31 March 2021
- 4) Includes cash balances and other net current liabilities as at 31 March 2021, less \$100.0m committed to net uranium purchases which have or are expected to complete after 31 March 2021



# Yellow Cake corporate summary

## Corporate overview

Last share price <sup>(1)</sup>	£2.65
NAV per share <sup>(2)</sup>	£2.35
Market cap (mm) <sup>(1)</sup>	£340.7
Shares out. (mm)	132.7
Shares held in treasury (mm) <sup>(1)</sup>	4.2
52 week high	£2.85
52 week low	£1.83

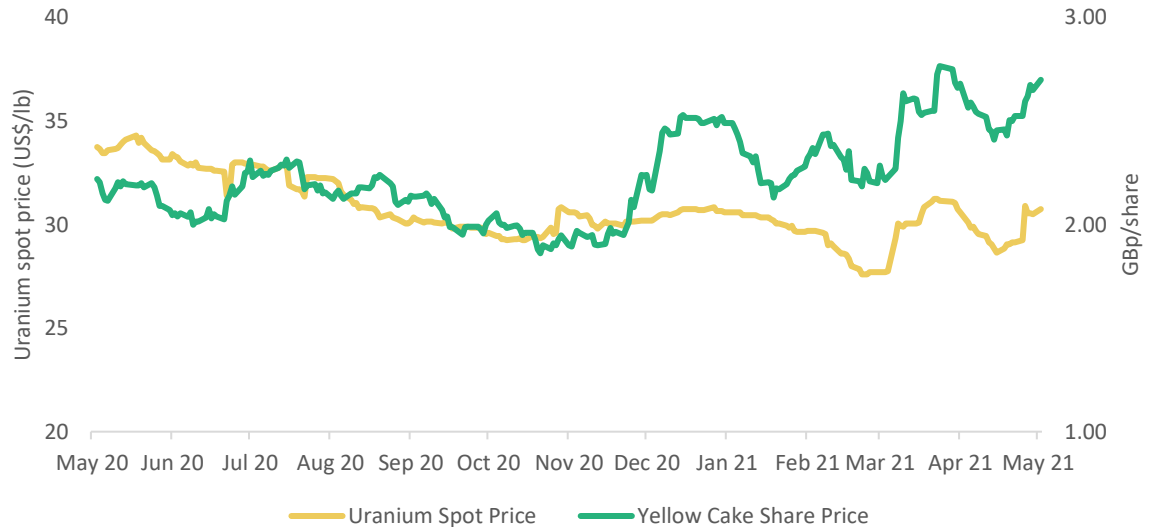
## Analyst coverage and rating

	Buy
	Buy
	Buy
	Buy
	Buy

Source:

- 1) Cap IQ on 7 May
- 2) Yellow Cake's estimated net asset value on 7 May. See calculation on page 5
- 3) UxC LLC May 7 2021

## GBP share price and uranium price<sup>(1,3)</sup>



## Blue chip shareholder registry





# Strategic relationship with Kazatomprom allows for value accretive growth



## Option Agreement with Kazatomprom, the world's largest and lowest cost producer<sup>(1)</sup>

- 10-year Framework Agreement with Kazatomprom
- Yellow Cake has the right to purchase up to US\$100m of  $U_3O_8$  annually
- Term of the option agreement extends from 2019 to 2027
- Purchase price is locked in based on the prevailing spot price at the time of purchase
- The Company can also source uranium from any other supplier if advantageous

Source:

1) World Nuclear Association, Uranium and Nuclear Power in Kazakhstan (February 2021)



# 2020 was a transition year for the uranium market

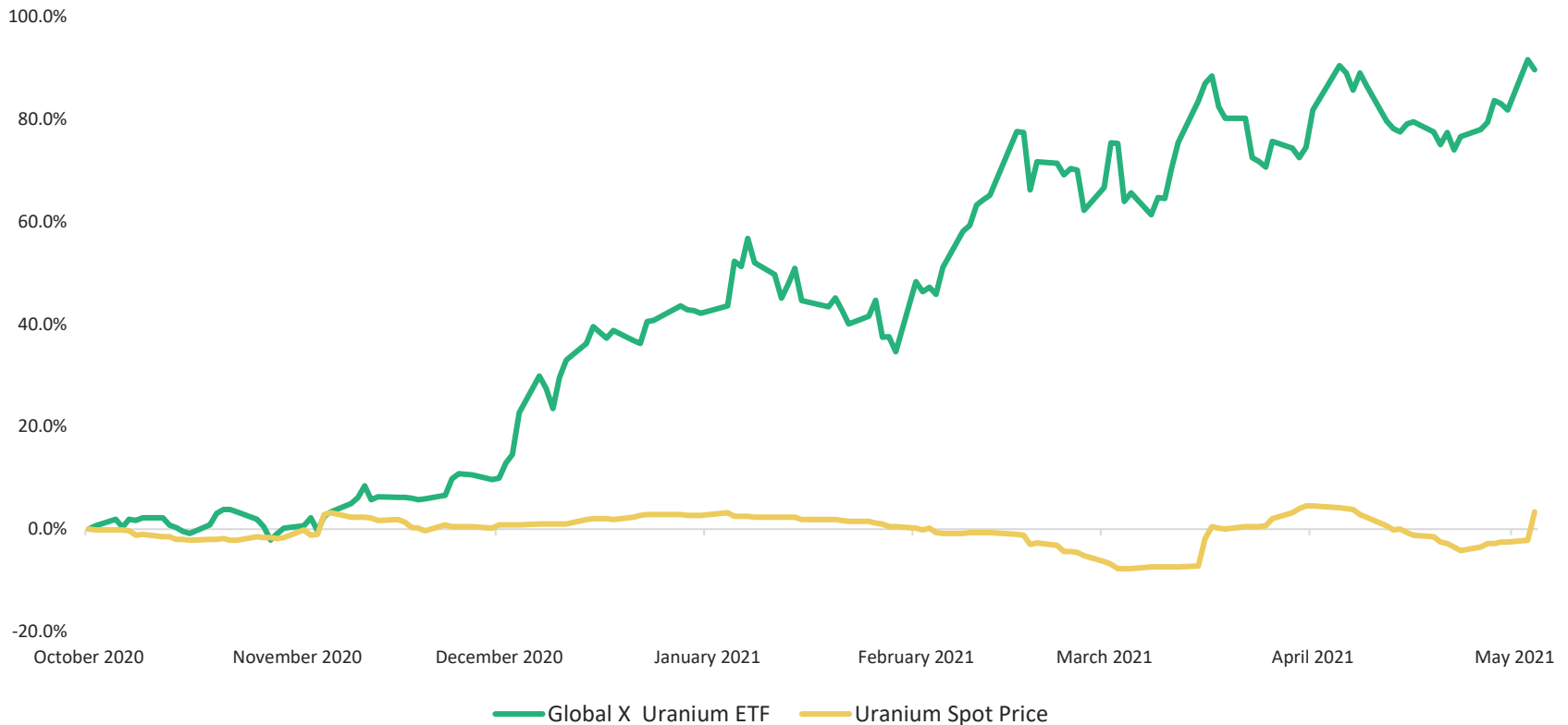
## Uranium market impacts

- COVID-19 pandemic highlighted the supply side vulnerability
- Nuclear energy demonstrated its resilience as a reliable, low-cost electricity supply source
- US policy issues overhanging the market were resolved
- A number of countries committed to carbon neutrality and included nuclear power in policy statements

# Investor interest in uranium equities increased significantly since Q4 2020



Uranium Equities Performance – LTM<sup>(1)</sup> – Global X Uranium ETF v Uranium spot price



Source:  
1) Cap IQ, May 2021

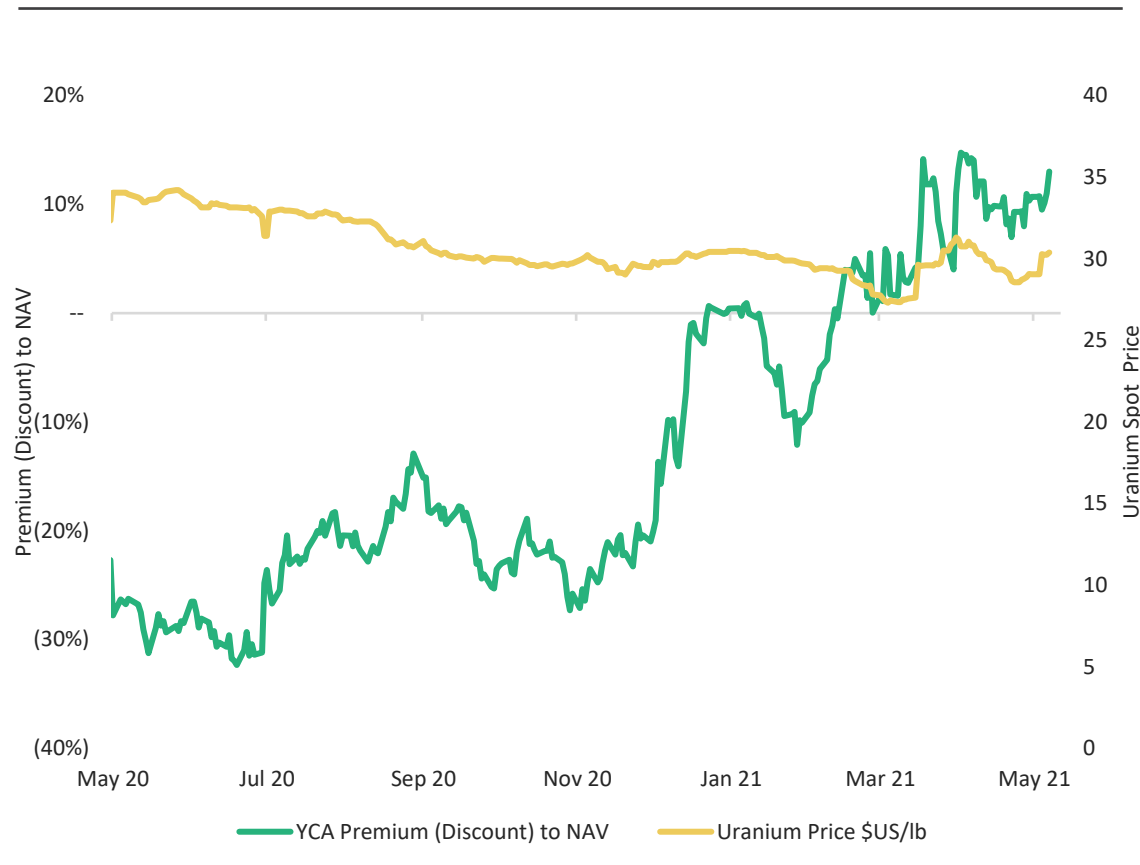


# Yellow Cake raises c.\$140m on the back of strong investor demand



- Equity raise upsized to c.\$140m from \$110m due to strong investor demand
- Yellow Cake able to fully exercise its 2021 Kazatomprom option of \$100m at a uranium price of \$28.95/lb
- Surplus funds utilised to purchase an additional 540,000 lb for US\$15m
- Strong support from retail shareholders, US\$5m raised from 380 retail investors via Primary Bid

Uranium spot price and YCA premium (discount) to from NAV<sup>(1,2)</sup> – LTM



Source:

1) Cap IQ, May 7, 2021

2) UxC LLC May 7, 2021

# Strong investor interest in uranium has supported significant capital raises



**US\$797m<sup>(1)</sup> raised since mid February**

Uranium equity raises in 2021 <sup>(2)</sup>	Company	Equity raised
February 2021	Bannerman Resources	A\$12m
February 2021	Deep Yellow	A\$40.8m
February 2021	Yellow Cake	US\$140m
March 2021	Nexgen Energy	C\$150m
March 2021	Denison Mines <sup>(3)</sup>	US\$123.05m
March 2021	Boss Energy	A\$60m
April 2021	Uranium Energy Corporation	US\$42.5m
April 2021	Paladin Energy	A\$219m
May 2021	Uranium Royalty Corporation	C\$37m
May 2021	Uranium Participation Company	C\$70m
May 2021	Fission Uranium	C\$34m

Source:

1) Bank of England exchange rate on the date of financing

2) Cap IQ, May 2021

3) Includes – US\$28.75m bought deal on February 19, US\$8m flow through financing on March 3 and US\$86.3m to purchase physical on March 22

# New trend of project companies making spot uranium purchases

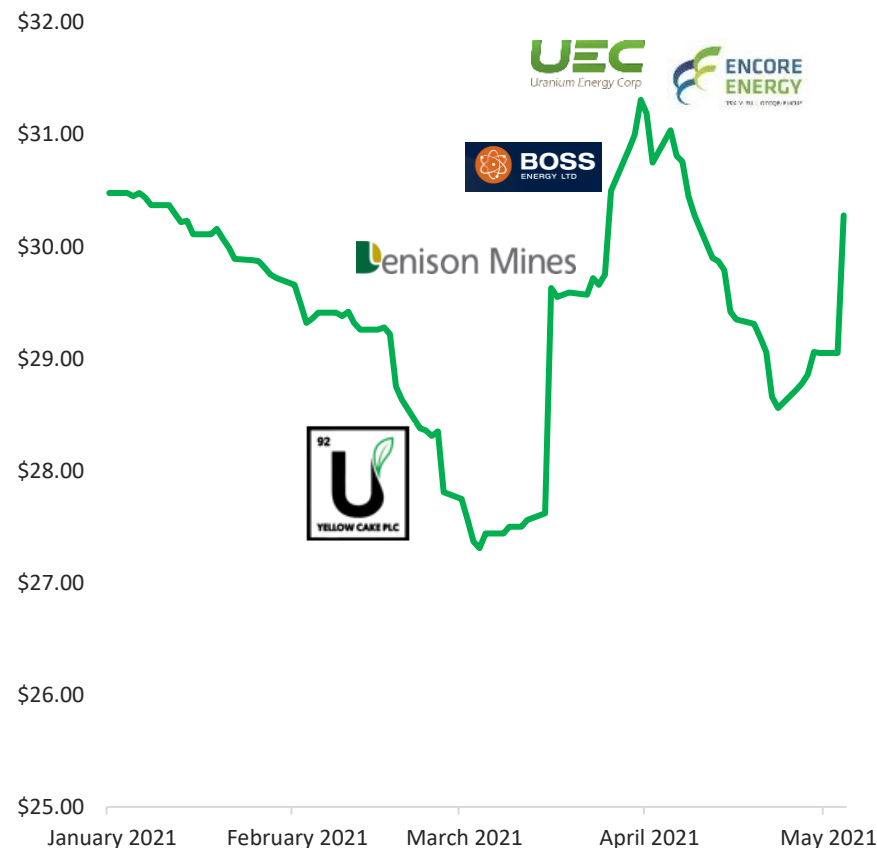


## Mining companies Buying Physical U<sub>3</sub>O<sub>8</sub>

- New strategy from uranium project companies to utilise equity raises to purchase uranium in the spot market
- To date purchases totalling ~10.34mlb have been announced
- This equates to c.8% of forecast 2021 primary production of 127mlb<sup>(2)</sup>

	Company Purchases <sup>(3)</sup>	Uranium Purchased
February 2021	Yellow Cake	3.94mlb
March 2021	Denison Mines	2.50mlb
March 2021	Boss Energy	1.25mlb
April 2021	Uranium Energy Corporation	2.10mlb
April 2021	enCore	0.2mlb
May	Yellow Cake	0.35mlb

Uranium spot price<sup>(1)</sup> YTD (US\$/lb)



Source:

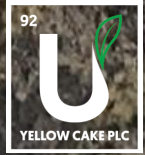
1) UxC LLC May 7, 2021

2) UxC LLC 2021 Outlook

3) Company Announcements



# Nuclear is a key element of global energy supply



Lowest non-carbon operating cost per mWh<sup>(1)</sup>

One of the lowest sources of carbon emissions per mWh

Nuclear energy provides reliable baseload power

Nuclear energy is sustainable

Nuclear is increasingly being recognised as a contributor to a low carbon future

Growing interest in Small Modular Reactors

Source:

1) National Energy Association – 2015. Cost includes both investment cost and O&M, including overnight cost (with contingency) as well as implied IDC, discounted at 7%



# Future demand

**Global nuclear reactor fleet will continue to grow, especially in China, India and the Middle East**

<p><b>China</b></p> <p>17 reactors under construction, 40 planned</p>	<p><b>India</b></p> <p>6 reactors under construction, 14 planned</p>	<p><b>Russia</b></p> <p>2 reactors under construction, 25 planned</p>	<p><b>UAE</b></p> <p>3 reactors under construction</p>
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Investment in uranium	Operable reactors <sup>(1)</sup>	Reactors under construction <sup>(1)</sup>	Planned reactors <sup>(1)</sup>	Proposed reactors <sup>(1)</sup>
World Nuclear Reactor Fleet	442	54	102	325
China Reactor Fleet	49	17	40	168

Source

1) World Nuclear Association, World Nuclear Power Reactors & Uranium Requirements (May 2021)

# Increasing commitments to carbon neutrality includes nuclear



## Commitments to carbon neutrality<sup>(1)</sup>

- Canada – 2050
- China – 2060
- European Union – 2050
- France – 2050
- Japan – 2050
- United Kingdom – 2050
- U.S.A. – 2050

## Carbon Free Energy Initiatives

- United States of America officially re-joined the Paris Agreement
- The proposed “American Jobs Plan,” (proposed to be budgeted at US\$2.25 trillion) would incentivise clean electricity from nuclear reactors
- European Commission’s, Joint Research Centre (JRC) draft report concluded that nuclear energy does not harm the European Green Deal sustainability objectives<sup>(2)</sup>

Source:

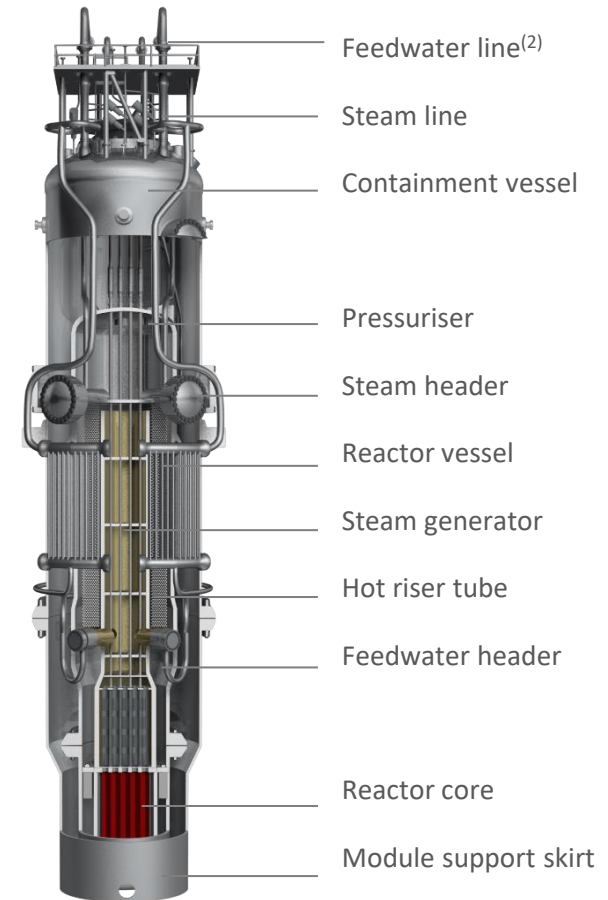
1) Carbon Neutrality by 2050: the World’s Most Urgent Mission

2) Technical assessment of nuclear energy with respect to the ‘do no significant harm’ criteria of Regulation (EU) 2020/852 (‘Taxonomy Regulation’)



# Growing interest in small Modular Reactors

- SMR's generate up to 300MW of electricity and are more flexible and more affordable than large reactors<sup>(1)</sup>
- SMR's are ideal for smaller grids and remote locations
- Across 9 countries there are currently 4 SMR's operating, 3 SMR's under construction and 14 SMR's that are well developed nearing deployment<sup>(3)</sup>
- Significant investment is going into SMR's from national governments such as the US, Canada, China and the UK as well as from global companies<sup>(3)</sup>



Source:

1) IAEA – Economic Appraisal of Small Modular Reactor (SMR) Projects: Methodologies and Applications (I12007)

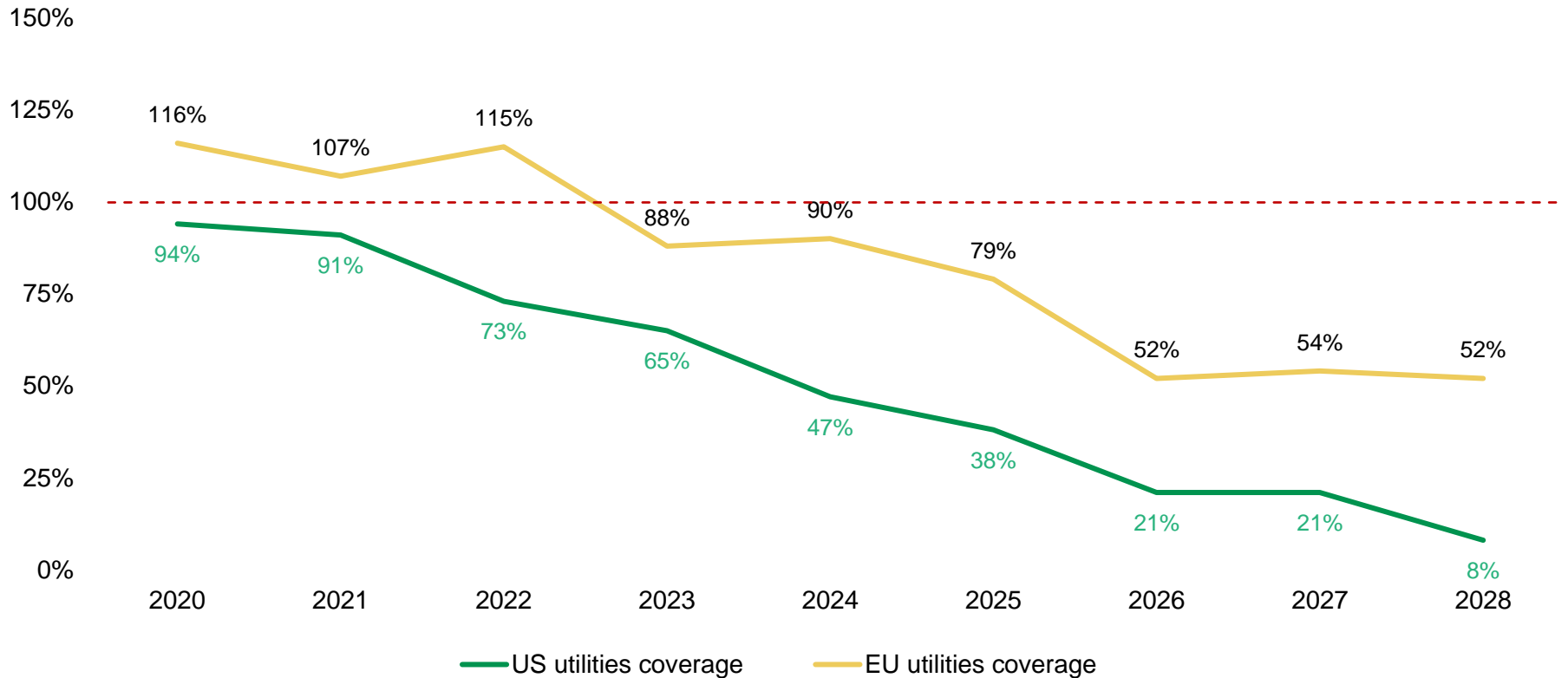
2) Nuscale

3) WNA, Small Nuclear Reactors October 2020

# Long-term contracts need to be replaced

## Contract covering has the potential to create a rapid tightening of the spot market

Future contracted coverage rates of US and European utilities



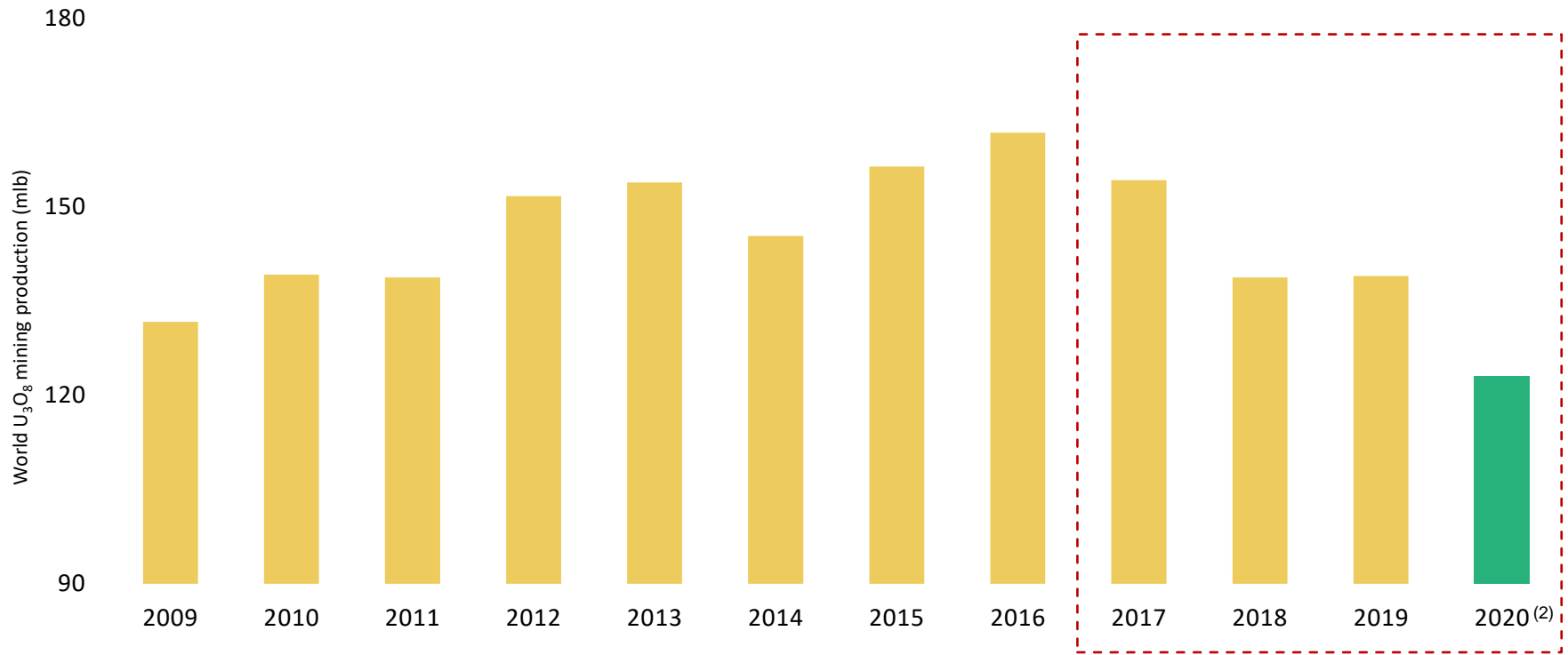
Source

- 1) US Energy Information Administration: 2019 Uranium Marketing Annual Report (May 2020)
- 2) Euratom Supply Agency Annual Report 2019 (30 June 2020)

# Global supply cuts

## Producers have made significant production cuts, exacerbated by COVID-19

Production cuts seen from 2016<sup>(1)</sup>



Source

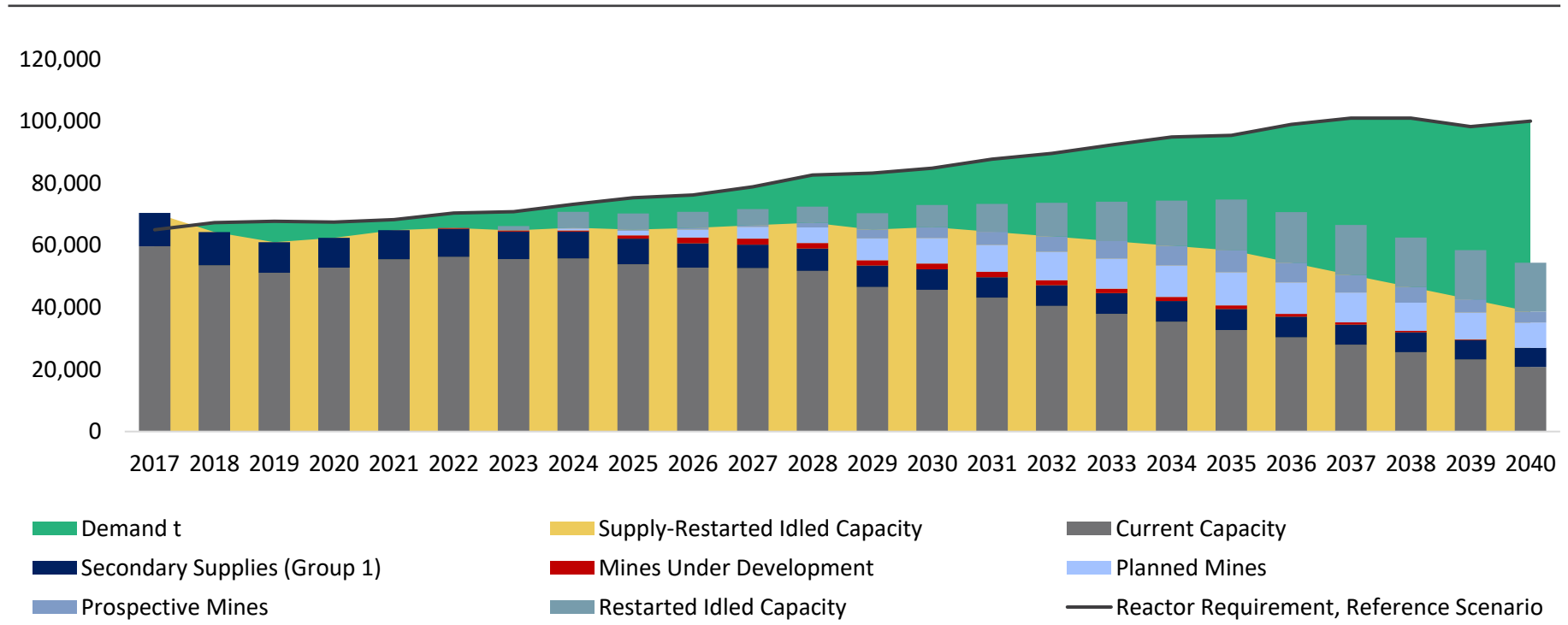
1) World Nuclear Association, World Uranium Mining Production (August 2019)

2) UxC LLC – “Uranium Market Outlook Q4 December” 2020

# Growing mine supply gap

Underinvestment in exploration and development is leading to a potential future supply gap. The Reference market scenario incorporated in the latest WNA nuclear fuel market report shows an immediate global market supply deficit<sup>(1)</sup>

Supply/demand imbalance (U<sub>3</sub>O<sub>8</sub> tU)



Source  
 1) The Nuclear Fuel Report - Global Scenarios for Demand and Supply Availability 2019-2040 (September 2019)

# Investment highlights and outlook

## Yellow Cake

- Yellow Cake provides pure exposure to the uranium price, without any operating risks
- The Company has a low-cost structure
- Yellow Cake has access to significant quantities of uranium at the spot price

## Market outlook

- The uranium spot price has performed strongly year-to-date on the back of uranium company spot market purchases
- COVID-19 has highlighted the supply side risk
- Uranium contract coverage in the US at increasingly low levels
- We expect utilities to re-enter the term market in the near term

