

2 August 2021



## 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 2021 (the “Quarter”).

#### Highlights

- Successful completion of an oversubscribed share placing and retail offer in June 2021, raising gross proceeds of approximately £62.5 million (US\$86.9 million) (the “June Placing”). This follows the completion of an upsized share placing and retail offer in March 2021, raising gross proceeds of approximately £99.3 million (US\$140 million) (the “March Placing”). The proceeds of the March Placing and the June Placing are being applied to the purchase of uranium and to fund related expenses and working capital:
  - Proceeds of the March Placing were partly applied to the completion of the purchase of a net 4.0 million lb of  $U_3O_8$  during the Quarter at an average price of US\$28.83/lb for an aggregate cash consideration of US\$115.0 million, including 3.45 million lb of  $U_3O_8$  acquired through the full exercise of the Company’s option under the Kazatomprom Contract for 2021 at a price of US\$28.95/lb for an aggregate cash consideration of US\$100.0 million.
  - Proceeds of the June Placing are mainly being applied to purchase a further 2.0 million lb of  $U_3O_8$  at a price of US\$32.23/lb for a total consideration of US\$64.5 million. The Company expects to conclude an agreement with Kazatomprom for this purchase, pursuant to their offer of 12 June 2021. In addition, proceeds from the June Placing are partly being applied to acquire a further 550,000 lb of  $U_3O_8$  in the spot market at an average price of US\$32.35/lb for a total consideration of US\$17.8 million for delivery between July and August 2021.
- Increase in the Company’s holdings during the Quarter from 9.86 million lb of  $U_3O_8$  to 13.31 million lb of  $U_3O_8$  (35.0% increase).
- Increase in value of  $U_3O_8$  held by Yellow Cake over the Quarter from US\$302.1 million <sup>(1)</sup> as at 31 March 2021 to US\$427.1 million <sup>(2)</sup> as at 30 June 2021 (41.4% increase).
- Increase in value of  $U_3O_8$  held by Yellow Cake of 33% to US\$427.1 million <sup>(2)</sup> as at 30 June 2021, relative to the average acquisition cost of US\$320.0 million (US\$24.05/lb).

(1) Based on the month end spot price of US\$30.65/ lb published by UxC LLC on 29 March 2021 and 9.86 lb  $U_3O_8$  held by the company as at 31 March 2021.

(2) Based on the month end spot price of US\$32.10/ lb published by UxC LLC on 28 June 2021 and 13,305,601 lb  $U_3O_8$  held by the company as at 30 June 2021.

- Estimated net asset value on 30 June 2021 was £2.49 per share <sup>(3)</sup> or US\$528.8 million, comprising 13.31 million lb of U<sub>3</sub>O<sub>8</sub> valued at a spot price of US\$32.10/lb <sup>(4)</sup>, a uranium derivative liability of US\$3.4 million as at 31 March 2021, and cash and other current assets and liabilities of US\$105.1 million as at 30 June 2021.
- Yellow Cake's estimated net asset value on 30 July 2021 was £2.50 per share <sup>(5)</sup>.

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

"I am pleased to report we have begun the year with considerable momentum, having just completed a second oversubscribed share placing in three months, and then significantly increasing our uranium holdings in line with our strategy, by over a third to 13.3 million pounds, during the period. We expect this to exceed 16 million pounds by the end of 2021. The value of the uranium we now hold is \$427 million, acquired for \$320 million. The strong progress of Yellow Cake mirrors the continued momentum in the uranium market, which once again reaffirms the confidence we have in our model and investment case. We believe that the recent launch of a large uranium ETF combined with growing utility interest in the term market, will drive new demand for physical uranium, while supply remains severely constrained. With governments across the world committing to new ambitious emissions targets, nuclear energy represents a vital element of the future energy mix, where even the maximum roll out of renewable technology may not be sufficient to meet demand."

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(3) Estimated net asset value per share on 30 June 2021 is calculated assuming 157,740,730 ordinary shares in issue less 4,156,385 shares held in treasury, the Bank of England's daily USD/ GBP exchange rate of 1.3819 on 30 June 2021 and the month-end spot price published by UxC LLC on 28 June 2021.

(4) Month-end spot price published by UxC LLC on 28 June 2021.

(5) Yellow Cake's estimated net asset value on 30 July 2021 was US\$532.8 million, consisting of 13,305,601 lb of U<sub>3</sub>O<sub>8</sub> valued at the Broker Average Price of US\$32.40/lb published by UxC LLC on 30 July 2021, a derivative liability of US\$3.4 million as at 31 March 2021, and cash and other current assets and liabilities of US\$105.1 million as at 30 June 2021. The estimated net asset value per share as at 30 July 2021 is calculated assuming 157,740,730 ordinary shares in issue less 4,069,498 shares held in treasury and a USD/ GBP exchange rate of 1.3891.

## Uranium Market Developments and Outlook

### Uranium Market Developments

During the quarter to 30 June 2021, the UxC U<sub>3</sub>O<sub>8</sub> Price (spot) <sup>(6)</sup> traded within a narrow range of US\$28.65/lb up to US\$32.10/lb, reaching US\$32.30/lb in the week of 21 June. Transactional spot volumes were modest in April reporting a total of 2.4 million lb, but increasing to 6.6 million lb in May <sup>(7)</sup>. The aggregate quantity for June was 6.4 million lb, resulting in a total spot market volume of 15.4 million lb for the quarter, above the ten year average for the June quarter of 11 million lb. <sup>(8)</sup>

UxC released its 2020 U<sub>3</sub>O<sub>8</sub> Production Review <sup>(9)</sup>, reporting 2020 global U<sub>3</sub>O<sub>8</sub> production of 125 million lb U<sub>3</sub>O<sub>8</sub> in aggregate, a significant decline from the 2019 figure of 141 million lb U<sub>3</sub>O<sub>8</sub> (down 17 million lb U<sub>3</sub>O<sub>8</sub>, 12% year-on-year), principally driven by reductions in operations due to the COVID-19 pandemic. Kazakhstan experienced the largest annual decline in total output (down 8 million lb U<sub>3</sub>O<sub>8</sub>, 15% year-on-year) closely followed by Canada (down 8 million lb U<sub>3</sub>O<sub>8</sub>, 44% year-on-year). Australian production declined by less than 1 million lb U<sub>3</sub>O<sub>8</sub> compared to 2019, with 2020 production reported at 16 million lb U<sub>3</sub>O<sub>8</sub> while uranium output in Namibia and Russia remained relatively stable. Uranium production in the Republic of Niger rose from its 2019 level of 7.8 million lb U<sub>3</sub>O<sub>8</sub>, reaching 9.5 million lb U<sub>3</sub>O<sub>8</sub> in 2020, a 23% year-on-year increase.

Cameco Corporation announced the planned restart of the Cigar Lake Uranium Mine (9 April 2021) <sup>(10)</sup> 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 million lb U<sub>3</sub>O<sub>8</sub> from the facility. Cameco stated that “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 2021 First Quarter Report MD&A <sup>(11)</sup>, 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 between 8 million and 10 million lb up to between 11 million and 13 million lb. As of the end of March, the company had purchased 1.5 million lb U<sub>3</sub>O<sub>8</sub> for the year. In its 2021 First Quarter results presentation, Cameco reported that subsequent to the implementation of the corporation’s term contracting initiative, close to 60 million lb of future delivery commitments have been added to its contract portfolio with virtually all of that volume being captured in “off-market” negotiations. Underscoring the issue of uranium supply uncertainty, Cameco noted that the results of the UxC Q1 2021 Uranium Market Outlook showed a 2021-2035 cumulative global uranium supply deficit of 300 million lb. Cameco management also observed that “*Due to persistently low prices, we’ve seen planned supply curtailments, lack of investment, the end of reserve life for some mines and shrinking secondary supplies, all of which have been amplified more recently by unplanned supply disruptions due to the COVID-19 pandemic.*”

First quarter 2021 <sup>(12)</sup> operating results for Kazakhstan showed total output fell by 6% compared to the previous year (12.8 million lb U<sub>3</sub>O<sub>8</sub> versus 13.6 million lb U<sub>3</sub>O<sub>8</sub> in 2020). COVID-19 driven reductions in well-field installation/operations resulted in 2020 aggregate uranium output in Kazakhstan declining to 50.6 million lb from the 2019 level of 59.3 million lb. Current 2021 guidance foresees total production in the range of 58.5 – 59.3 million lb U<sub>3</sub>O<sub>8</sub> 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.”

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(6) Weekly price published by UxC LLC.

(7) UxC Weekly, 26 July 2021

(8) UxC Weekly, 26 July 2021

(9) UxC Weekly “2020 U<sub>3</sub>O<sub>8</sub> Production Review, 26 April 2021

(10) Cameco Press Release, “Cameco Restarting Cigar Lake Mine in April”, 9 April 2021 ([www.cameco.com](http://www.cameco.com))

(11) Cameco Quarterly Report- 2021 -Q1 ([www.cameco.com](http://www.cameco.com))

(12) Kazatomprom Press Release, “Kazatomprom Announces 1Q21 Operations and Trading Update.”, 4 May 2021 ([kazatomprom.com](http://kazatomprom.com)).

In its announcement of 2 July 2021<sup>(13)</sup>, Kazatomprom advised that uranium production during 2023 would remain at the planned 2022 level of 22,500-23,000 tU (58.5-59.8 million lb) which is approximately 20% below the expected production rate under the Subsoil Use Contracts (27,500-28,00 tU; 71.5-72.8 million lb). Full implementation of the production restraint plan would remove 5000 tU (13.0 million lb) from the previously anticipated global primary supply in 2023. Kazatomprom's CEO, Galymzhan Pirmatov, stated that, "the Company does not expect to return to full Subsoil Use Contract production levels until a sustained market recovery is evident, supply and demand conditions signal a need for more uranium, and the Company's pipeline of mid-to-long-term contract negotiations implies that there is a low risk of produced volumes further delaying the recovery."

In mid-April<sup>(14)</sup>, 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 China expects to have installed or under construction a total of 200 GWe by 2035.

S&P Global reported 23 April 2021<sup>(15)</sup> that Japan's Ministry of Economy, Trade and Industry (METI) stated 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 to provide 20-22% of Japan's electricity generation by 2030-2031.

The US Department of Energy, Energy Information Administration released its "2020 Uranium Marketing Annual Report,"<sup>(16)</sup> which documents nuclear fuel activities by US nuclear utilities as well as providing data for the 2021-2030 time period. US nuclear utilities took delivery of 48.9 million lb U<sub>3</sub>O<sub>8</sub> (equivalent) during the year at a weighted-average price of US\$33.27/lb. While the aggregate volume closely tracked the total 2019 purchases of 48.3 million lb, the weighted-average price paid declined from US\$35.59/lb. By the end of 2020, uranium inventory owned by US utilities declined to 107.2 million lb. Those inventories had been as high as 128 million lb as recently as 2016. The USDOE/EIA reported that maximum anticipated uranium market requirements totalled 381.2 million lb (2021-2030) while almost 50% (187.5 million lb) were yet to be filled by the utilities. As a percentage of maximum market requirements, unfilled needs are 28% in 2023, reaching 45% by 2025 and aggregate over 88% in 2030.

The EURATOM Supply Agency (ESA) released its "Annual Report – 2020"<sup>(17)</sup> which, similar to the USDOE/EIA annual uranium marketing report documents, nuclear fuel activities by the commercial nuclear power industry within the European Union and the United Kingdom. Gross uranium requirements totalled 41.1 million lb in 2020 with the utilities purchasing 32.7 million lb (97% under multi-year/term uranium agreements). The five principal uranium suppliers included Niger, Russia, Kazakhstan, Canada and Australia which in the aggregate provided 91.3% of the total uranium acquired during the year. Uranium inventories fell slightly from the 2019 level to 110.2 million lb, down considerably from the 2016 inventory level totalled 133.9 million lb. Forward uranium coverage ranges from 116% in 2024 declining to 57% by 2029.

On 28 April 2021<sup>(18)</sup>, Uranium Participation Corporation (UPC) announced an agreement with Sprott Asset Management to "modernize business structure and pursue US listing." The proposed plan of arrangement would transform Uranium Participation Corporation into a closed end investment trust managed by Sprott Asset Management (SAM), with UPC becoming a subsidiary of the Sprott Physical Uranium Trust ("SPUT"). 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."

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(13) Kazatomprom Press Release, "Kazatomprom Announces 2023 Production Plans, Ortalyk Transaction Update.", 2 July 2021 (kazatomprom.com).

(14) Reuters article, "China Gives Green Light to Nuclear Units to Cut Carbon, Sources Say.", 15 April 2021. (reuters.com).

(15) S&P Global-Platt's "Japan's New Climate Pledge to Boost Renewable, Nuclear Share in 2030 Energy Mix.", 23 April 2021 (spglobal.com).

(16) US Energy Information Administration 2020 Uranium Marketing Annual Report (May 2021).

(17) Euratom Supply Agency Annual Report 2020.

(18) Uranium Participation Corporation Press Release, "Uranium Participation Corporation Announces Agreement with Sprott Asset Management to Modernize Business Structure and Pursue U.S. Listing." 28 April 2021 (uraniumparticipation.com).

Subsequent to the announced restructuring, on 26 May 2021 <sup>(19)</sup>, UPC announced the completion of a C\$80.5 million (US\$ 66.0 million) bought deal financing the net proceeds of which will be used “to fund future purchases of U<sub>3</sub>O<sub>8</sub> and/or UF<sub>6</sub> and for general corporate purposes.” The proposed plan of arrangement received resounding support from UPC shareholders in a 7 July 2021 vote with 99.9% of the votes cast supported the plan. Sprott announced on 19 July 2021 that the proposed transaction has been completed and SPUT began trading on the Toronto Stock Exchange.

### Uranium Market Outlook

Activity in the term market has incrementally increased but the majority of the transactions involve deliveries in the mid-term market time horizon rather than the more traditional long-term uranium market.

Historically, the summer months in the northern hemisphere have seen reduced market activity due to the vacation period. Spot prices experienced a minor uplift in early July reaching US\$32.70/lb but have since declined slightly.

In the Company’s view, spot market transactions in the US\$31.00-33.00/lb. trading range would not be unexpected. However, the successful implementation of the SPUT could provide an upward market price stimulus if the newly-created entity pursues an aggressive spot market purchase programme.

### **June Placing and Use of Proceeds**

On 21 June 2021, the Company issued 25 million new ordinary shares at a price of £2.50 per share, raising net proceeds of £60.6 million (US\$ equivalent: 84.0 million net of costs of US\$2.9 million).

The Company intends to apply the proceeds to the following transactions:

- In July 2021, the Company concluded agreements to purchase a further 550,000 lb of U<sub>3</sub>O<sub>8</sub> in the spot market at an average price of US\$32.35/lb for a total consideration of US\$17.8 million. Pursuant to these agreements, the Company has taken delivery of 350,000 lb of U<sub>3</sub>O<sub>8</sub> and will take delivery of 200,000 lb of U<sub>3</sub>O<sub>8</sub> in August 2021.
- The Company expects to conclude an agreement with Kazatomprom to purchase a further 2.0 million lb of U<sub>3</sub>O<sub>8</sub> at a price of US\$32.23/lb for a total consideration of US\$64.5 million for delivery between October and December 2021, pursuant to Kazatomprom’s offer of 12 June 2021.

If all these transactions are completed, the Company’s total holdings will increase to 15.86 million lb of U<sub>3</sub>O<sub>8</sub>.

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(19) *Uranium Participation Corporation Press Release. “Uranium Participation Corporation Completes \$80.5 Million Bought Deal Financing.” 26 May 2021 (uraniumparticipation.com).*

## Net Asset Value

Yellow Cake's estimated net asset value on 30 June 2021 was £2.49 per share or US\$528.8 million, consisting of 13.31 million lb of U<sub>3</sub>O<sub>8</sub> valued at a spot price of US\$32.10/lb<sup>(20)</sup>, a uranium derivative liability of US\$3.4 million<sup>(21)</sup>, cash and other current assets and liabilities of US\$105.1 million<sup>(22)</sup>.

Yellow Cake Estimated Net Asset Value as at 30 June 2021			
		Units	
Investment in Uranium			
Uranium oxide in concentrates ("U <sub>3</sub> O <sub>8</sub> ")	(A)	lb	13,305,601
U <sub>3</sub> O <sub>8</sub> fair value per pound <sup>(20)</sup>	(B)	US\$/lb	32.10
U <sub>3</sub> O <sub>8</sub> fair value	(A) x (B) = (C)	US\$ m	427.1
Uranium derivative liability <sup>(21)</sup>	(D)	US\$ m	(3.4)
Cash and other net current assets/(liabilities) <sup>(22)</sup>	(E)	US\$ m	105.1
<b>Net asset value in US\$ m</b>	(C) + (D) + (E) = (F)	<b>US\$ m</b>	<b>528.8</b>
Exchange Rate <sup>(23)</sup>	(G)	USD/GBP	1.3819
Net asset value in £ m	(F) / (G) = (H)	£ m	382.7
Number of shares in issue less shares held in treasury <sup>(24)</sup>	(I)		153,584,345
<b>Net asset value per share</b>	(H) / (I)	<b>£/share</b>	<b>2.49</b>

Yellow Cake's estimated net asset value on 30 July 2021 was US\$532.8 million, consisting of 13,305,601 lb U<sub>3</sub>O<sub>8</sub> valued at the Broker Average Price of US\$32.40/lb published by UxC LLC on 30 July 2021, a uranium derivative liability of US\$3.4 million<sup>(21)</sup>, cash and other current assets and liabilities of US\$105.1 million<sup>(22)</sup>.

Yellow Cake's estimated net asset value per share on 30 July 2021 was £2.50 per share<sup>(25)</sup>. At market close on that date, the Company's share price was £2.81 per share, which represents a 13% premium to the estimated net asset value per share.

(20) Month-end spot price published by UxC LLC on 28 June 2021.

(21) Estimated current value, as at 31 March 2021, 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.

(22) Cash and cash equivalents and other net current assets and liabilities as at 30 June 2021.

(23) Bank of England's daily USD/GBP exchange rate of 1.3819 on 30 June 2021.

(24) Net asset value per share on 30 June 2021 is calculated assuming 157,740,730 ordinary shares in issue less 4,156,385 shares held in treasury.

(25) Net asset value per share on 30 July 2021 is calculated based on a USD/GBP exchange rate of 1.3891 assuming 157,740,730 ordinary shares in issue less 4,069,498 shares held in treasury.

This announcement contains inside information for the purposes of Article 7 of Regulation (EU) no 596/2014 which is part of UK law by virtue of the European Union (Withdrawal) Act 2018.

**ENQUIRIES:**

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## **ABOUT YELLOW CAKE**

Yellow Cake is a London-quoted 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 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 13.3 million pounds of U<sub>3</sub>O<sub>8</sub>, all of which is held in storage in Canada and France.

## **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.