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URANIUM COMMODITY

# INVESTOR PRESENTATION

April 2020

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# Investment Case for Yellow Cake

## Industry Context

Steady uranium demand growth from nuclear reactor build program

Additional supply risks due to COVID-19

Sustained low uranium prices has led to supply cuts

And, restricted investment into new supply sources

## Yellow Cake Investment Highlights

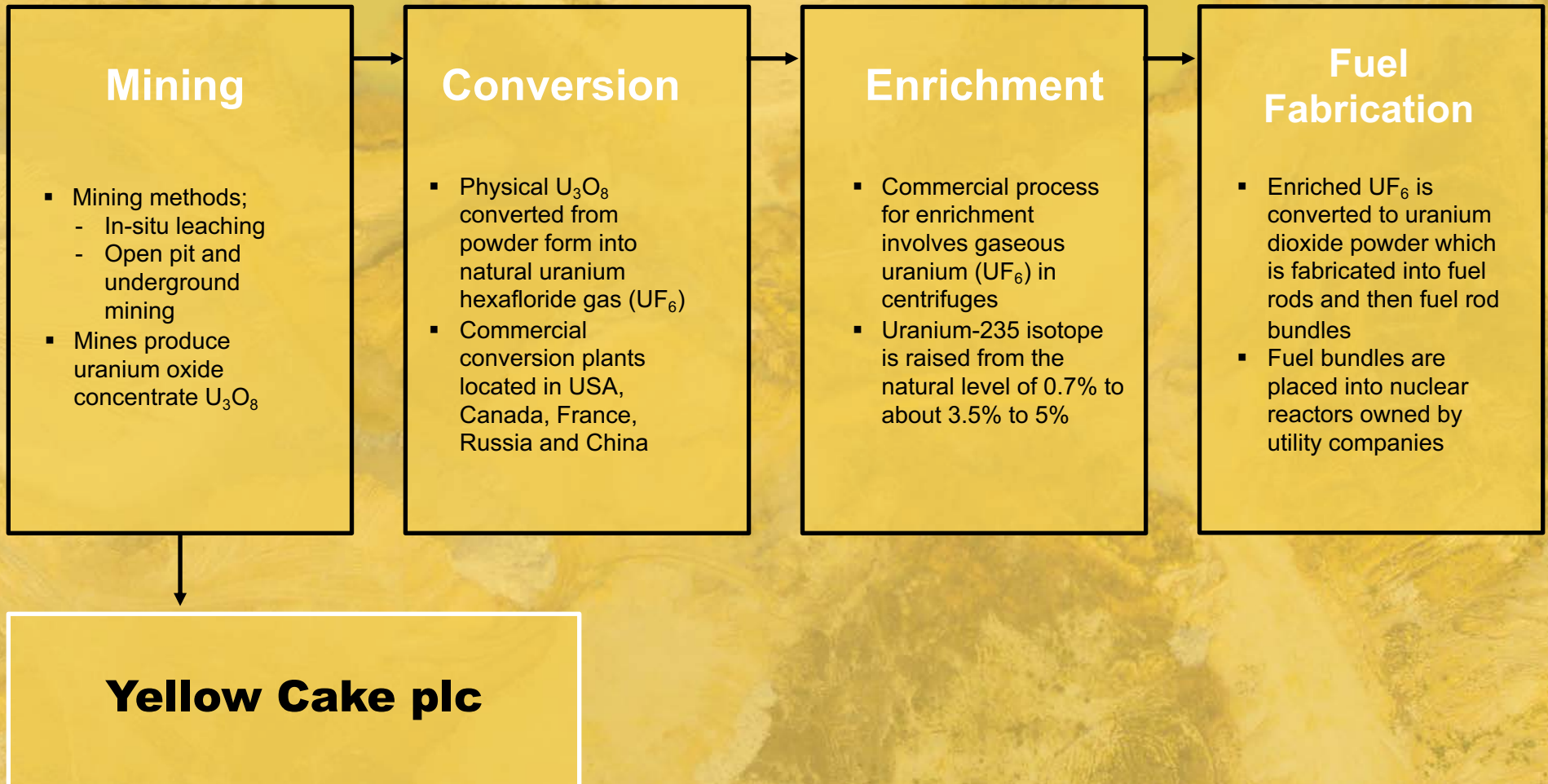
Holdings of physical  $U_3O_8$

No operating risks

Low cost structure

Access to \$100m p.a. of uranium at the spot market price

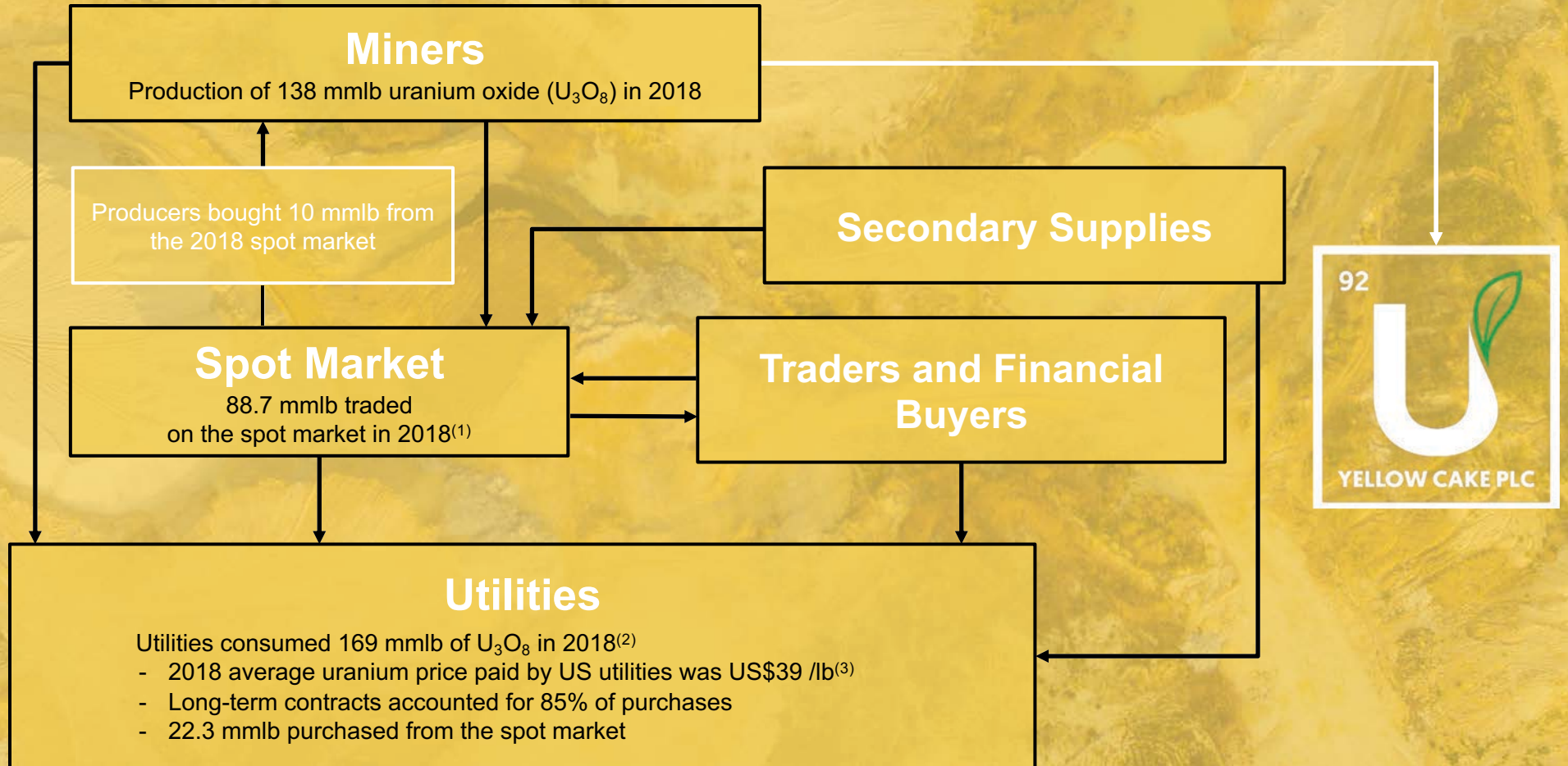
# The Nuclear Fuel Value Chain



Source

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

# The Uranium Market



Source

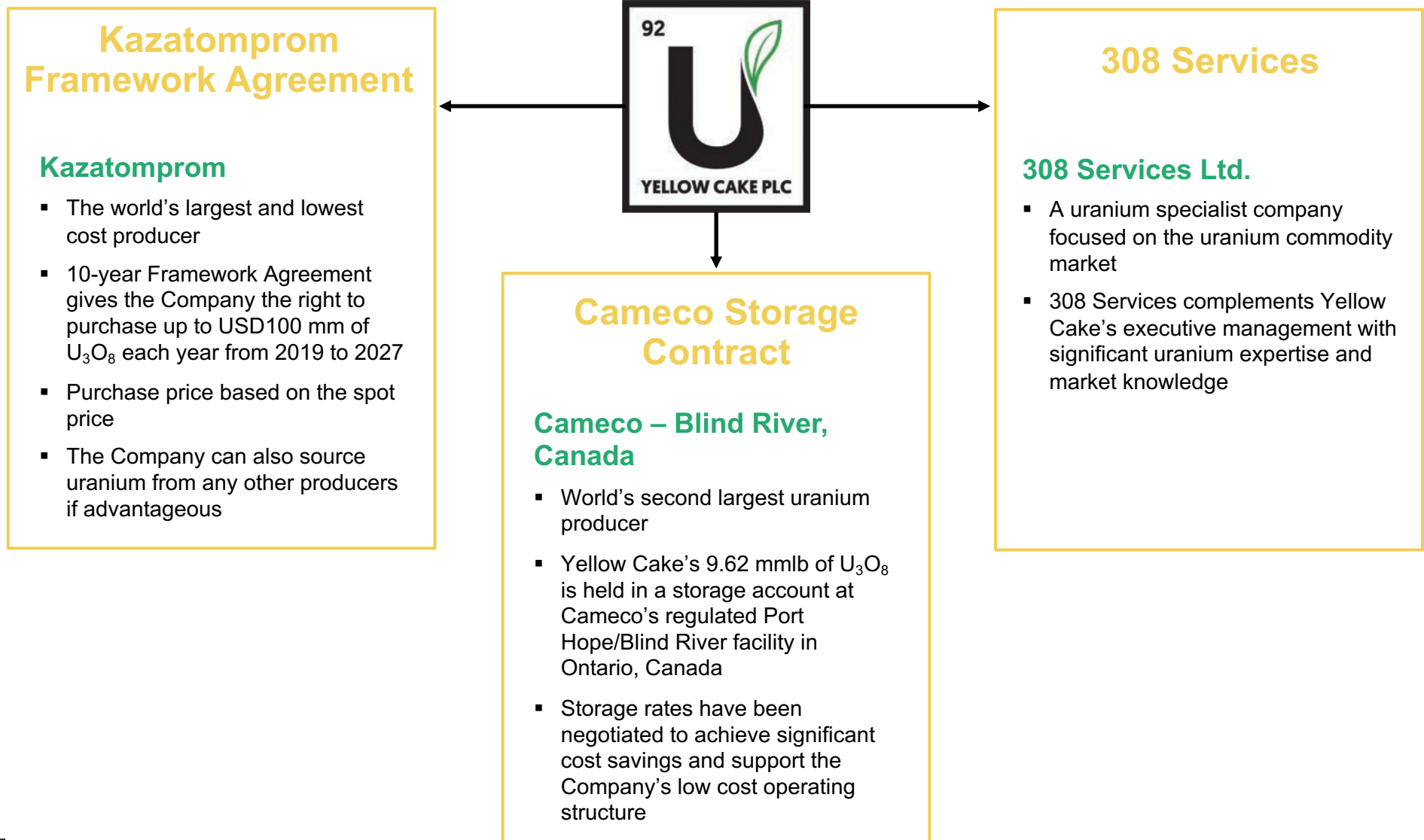
(1) UxC LLC 2018 Spot Market Review, March 2019

(2) World Nuclear Association, World Nuclear Power Reactors & Uranium Requirements (August 2019)

(3) U.S. Energy Information Administration 2018 Uranium Marketing Annual Report (May 2019)

# Yellow Cake

## Key Contracts Provide Strategic Advantage



# Yellow Cake Operations Summary

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

## IPO: July 2018

- Raised US\$200 mm
- Purchased 8.1 mmlb  $U_3O_8$  at US\$21.01 /lb

## August 2019

- Purchased 350 klb  $U_3O_8$  at US\$23.30 /lb

## April 2019

- Raised US\$33.9 mm

## June 2019

- Purchased 1.175 mmlb  $U_3O_8$  at US\$25.88 /lb

## January 2020

- Yellow Cake announces share buyback programme

Current total holding of  $U_3O_8$  – 9.62 mmlb acquired at an average price of US\$21.68 /lb

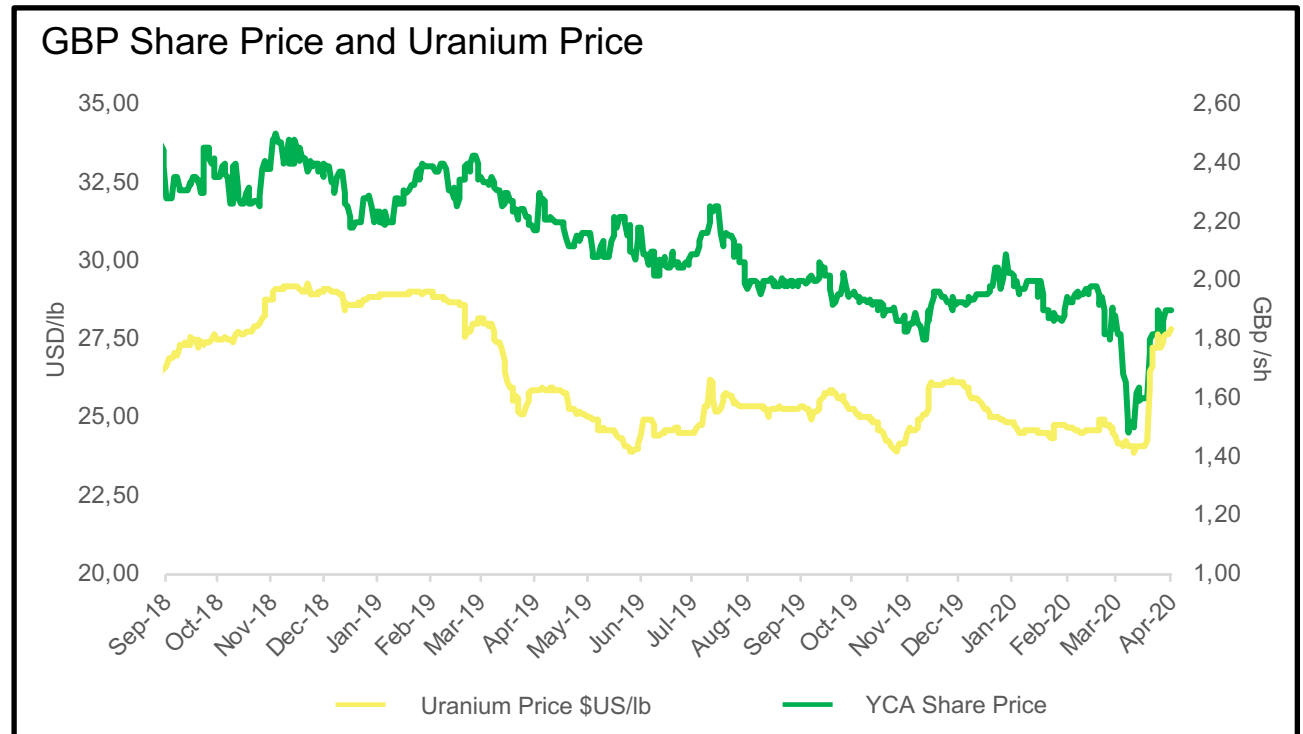


# Yellow Cake Corporate Summary

Last Share Price	£1.94
Market Cap (mm)	£170
Shares Out. (mm)	88.2
Shares Held in Treasury <sup>(2)</sup>	353,714
52 wk High	£2.30
52 wk Low	£1.36
NAV 20 March 2020	£2.31

## Analyst Coverage and Rating

	Buy	£2.80
	Buy	£3.00
	Buy	£3.00
	Buy	£2.30



## Blue Chip Shareholder Registry

Source  
 (1) UxC LLC price 6 April 2020  
 (2) Yellow Cake announcement 7 April 2020



# Uranium Market Overview



# Nuclear is a Key Element of Global Energy Supply

Lowest non-carbon  
operating cost per MWh

One of the lowest sources  
of carbon emissions per MWh

Nuclear energy provides reliable  
base load power

Nuclear energy  
is sustainable

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

Growing interest in  
Small Modular Reactors

# Current Demand

The World Nuclear Association estimates a total of 175 mmlb of uranium is required to power today's fleet of 441 operating reactors<sup>(1)</sup>

## USA

96 operating reactors

## France

58 operating reactors

## China

47 operating reactors

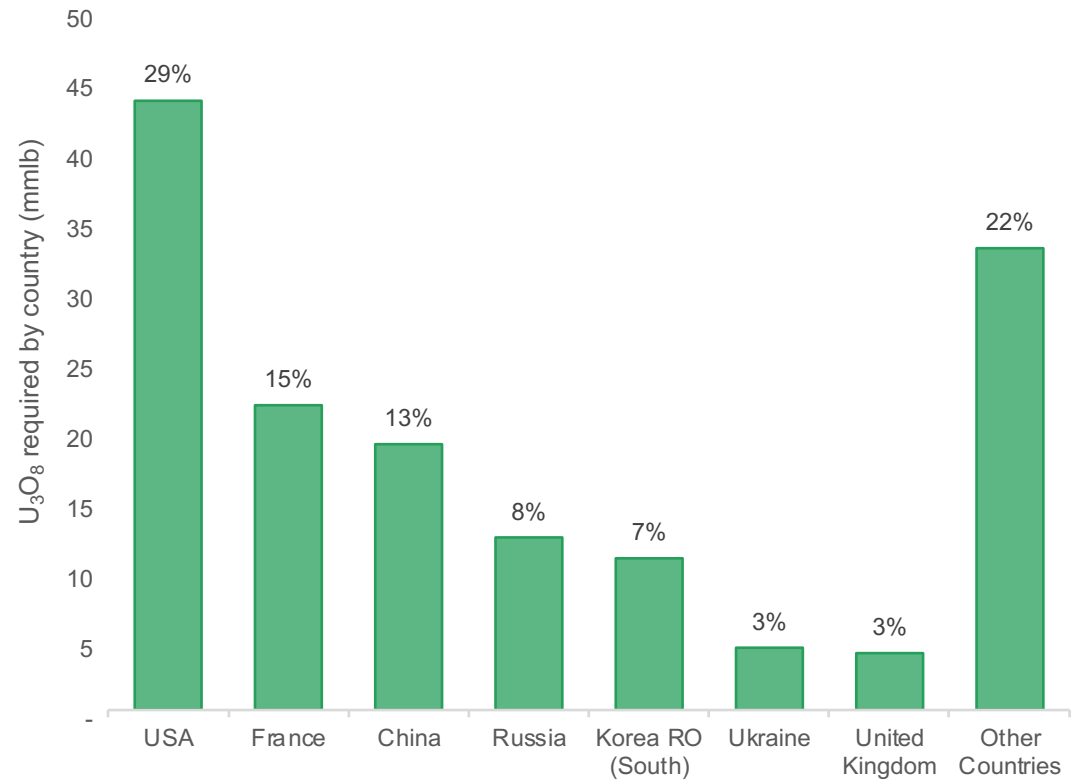
## Russia

38 operating reactors

## South Korea

24 operating reactors

Uranium requirements percentage of world demand<sup>(1)</sup>

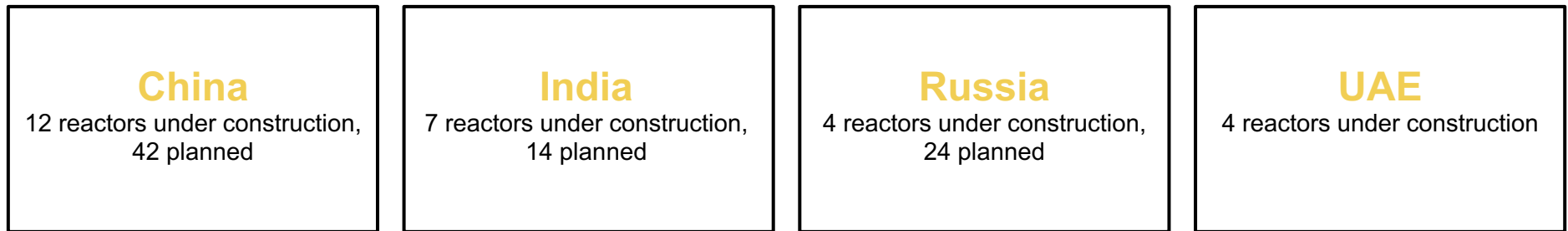


Source

(1) World Nuclear Association, World Nuclear Power Reactors & Uranium Requirements (January 2020)

# Future Demand

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

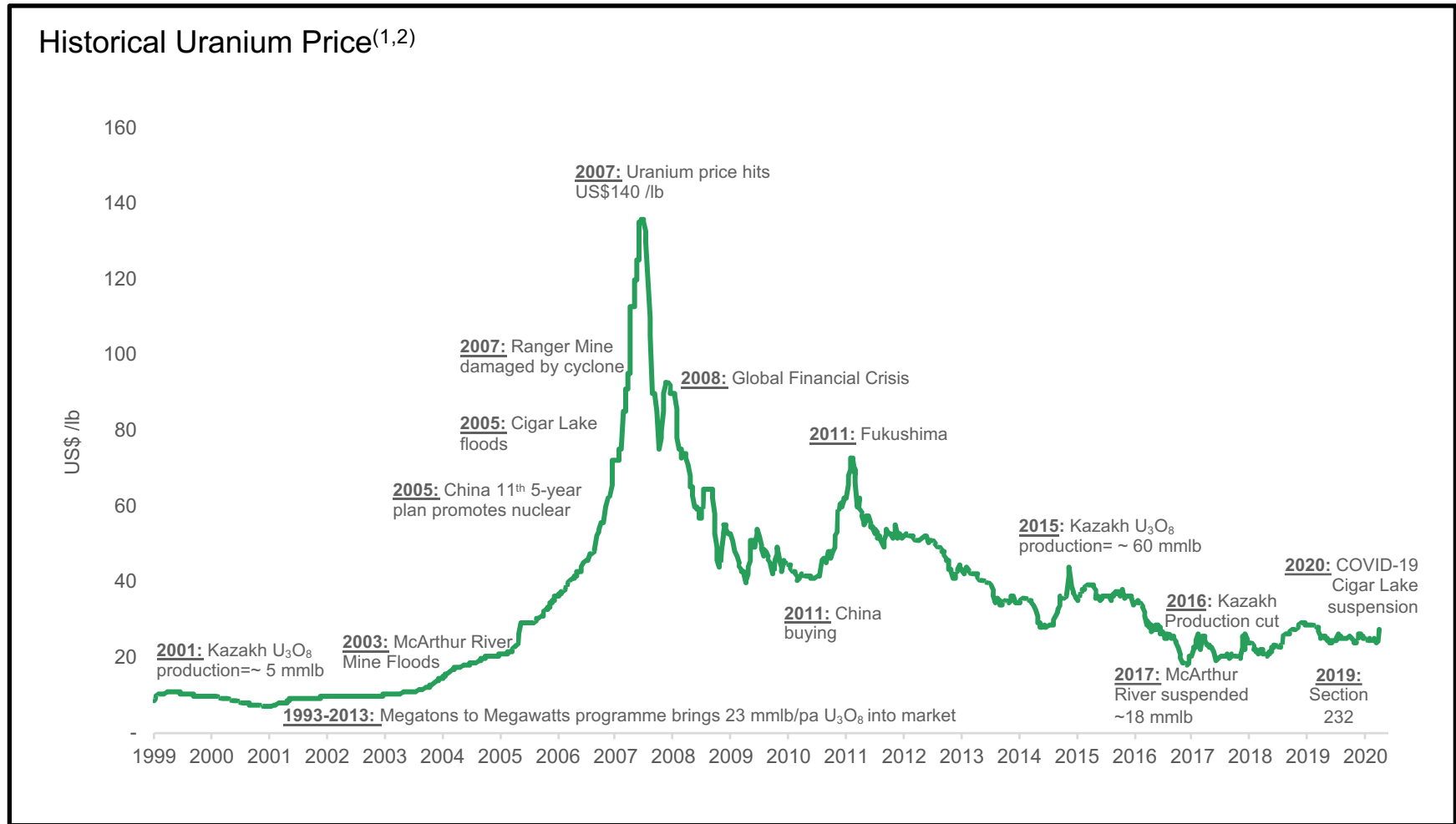


	Operating Reactors <sup>(1)</sup>	Reactors Under Construction <sup>(1)</sup>	Planned Reactors <sup>(1)</sup>	Proposed Reactors <sup>(1)</sup>
World Nuclear Reactor Fleet	441	54	109	330
China Reactor Fleet	47	12	42	170

Source  
 (1) World Nuclear Association, World Nuclear Power Reactors & Uranium Requirements (March 2020)

# Supply – Uranium Price Chart

Uranium price is near record lows



Source

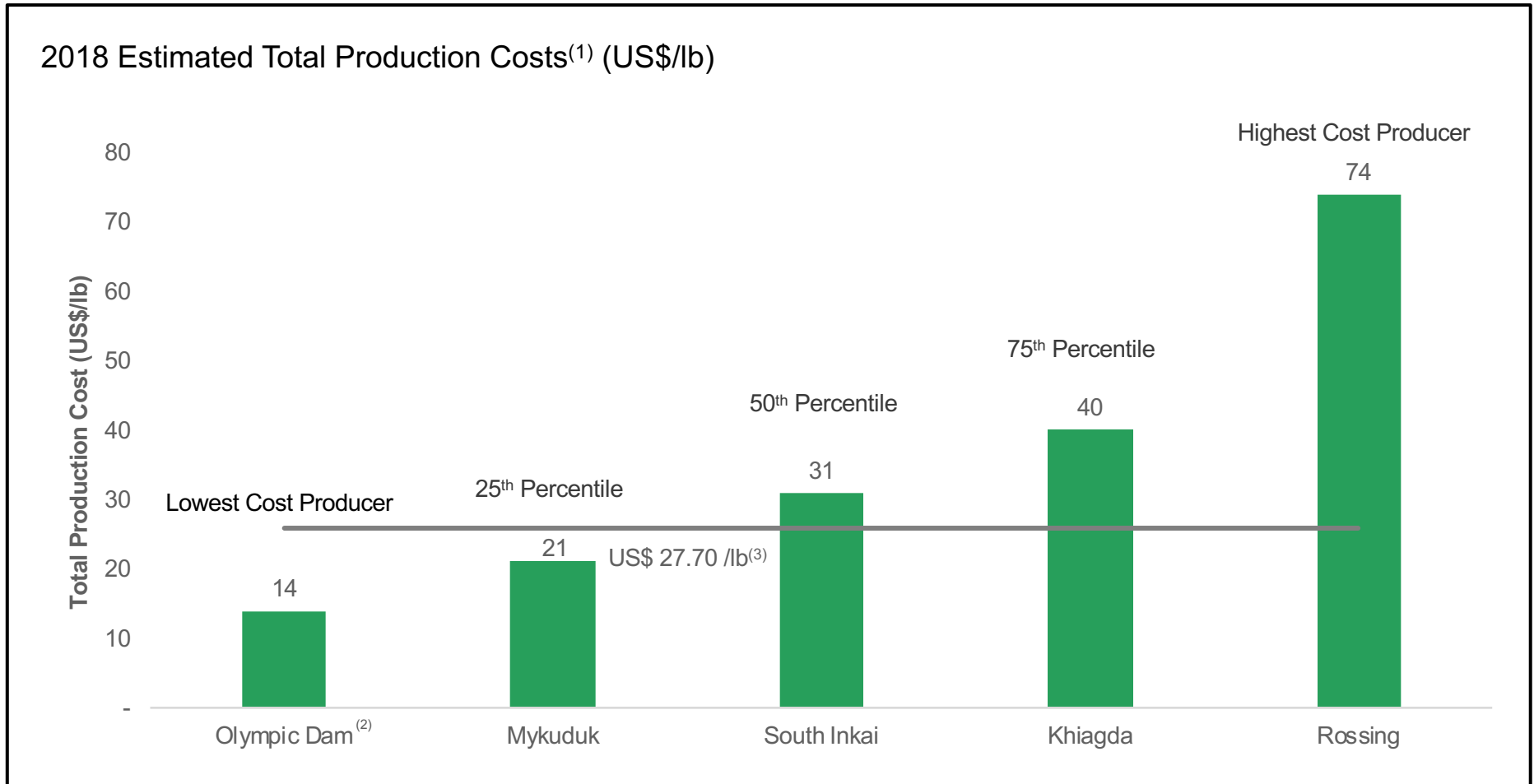
(1) UxC LLC price 6 April 2020

(2) CapIQ, Energy Fuels, Bloomberg, NUEXCO



# Supply

## Majority of Current Supply Loss Making at Current Spot Price



Source

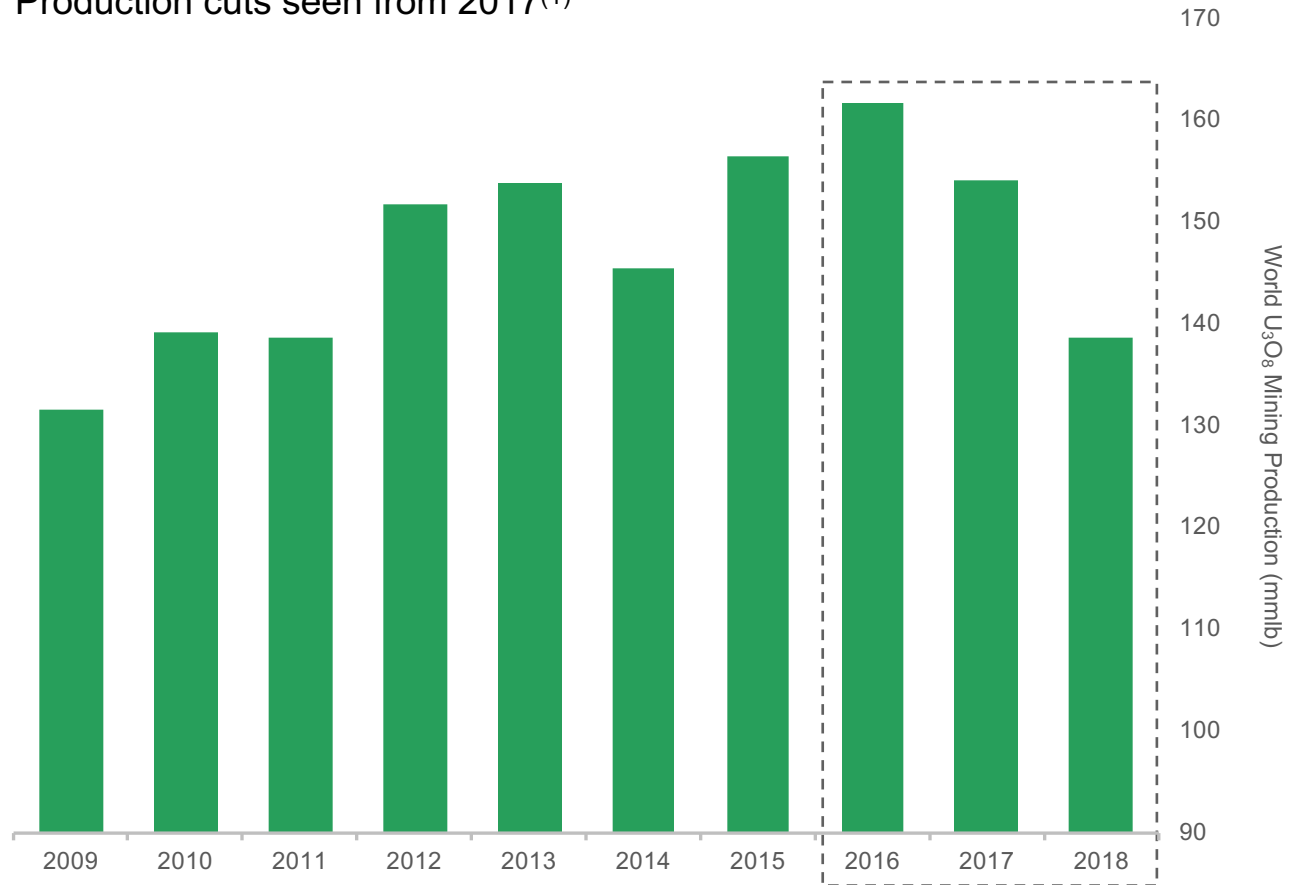
- (1) Company analysis based on SRK Consulting Global Operating Cost Curve for Primary Uranium Production, Section 232 Investigation of Uranium Imports dated 16 January 2018
- (2) Low cost due to uranium being a by-product of copper production
- (3) UxC LLC price 6 April 2020

# Global Supply Cuts

Producers have been taking self-help measures

- Supply side responses have been the major theme of the market since 2017
  - Cameco's shut down of Rabbit Lake, and suspension at McArthur River
  - Kazatomprom's announcement of a 20% production reduction for three years
  - Paladin suspension at Langer Heinrich in May 2018
- Very recent announcements of Cigar Lake temporary suspension and Kazatomprom production curtailments

Production cuts seen from 2017<sup>(1)</sup>

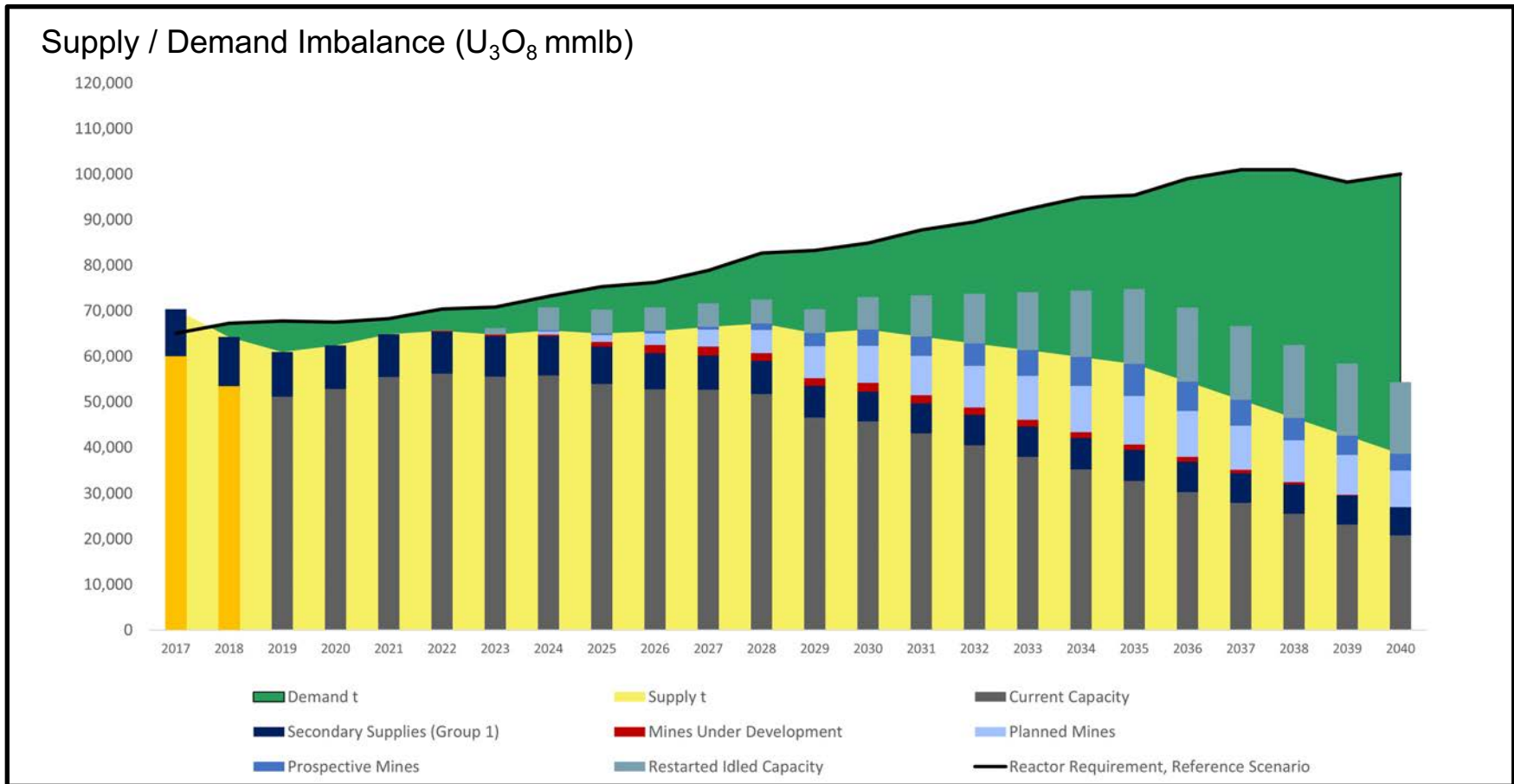


Source

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

# Growing Mine Supply Gap

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

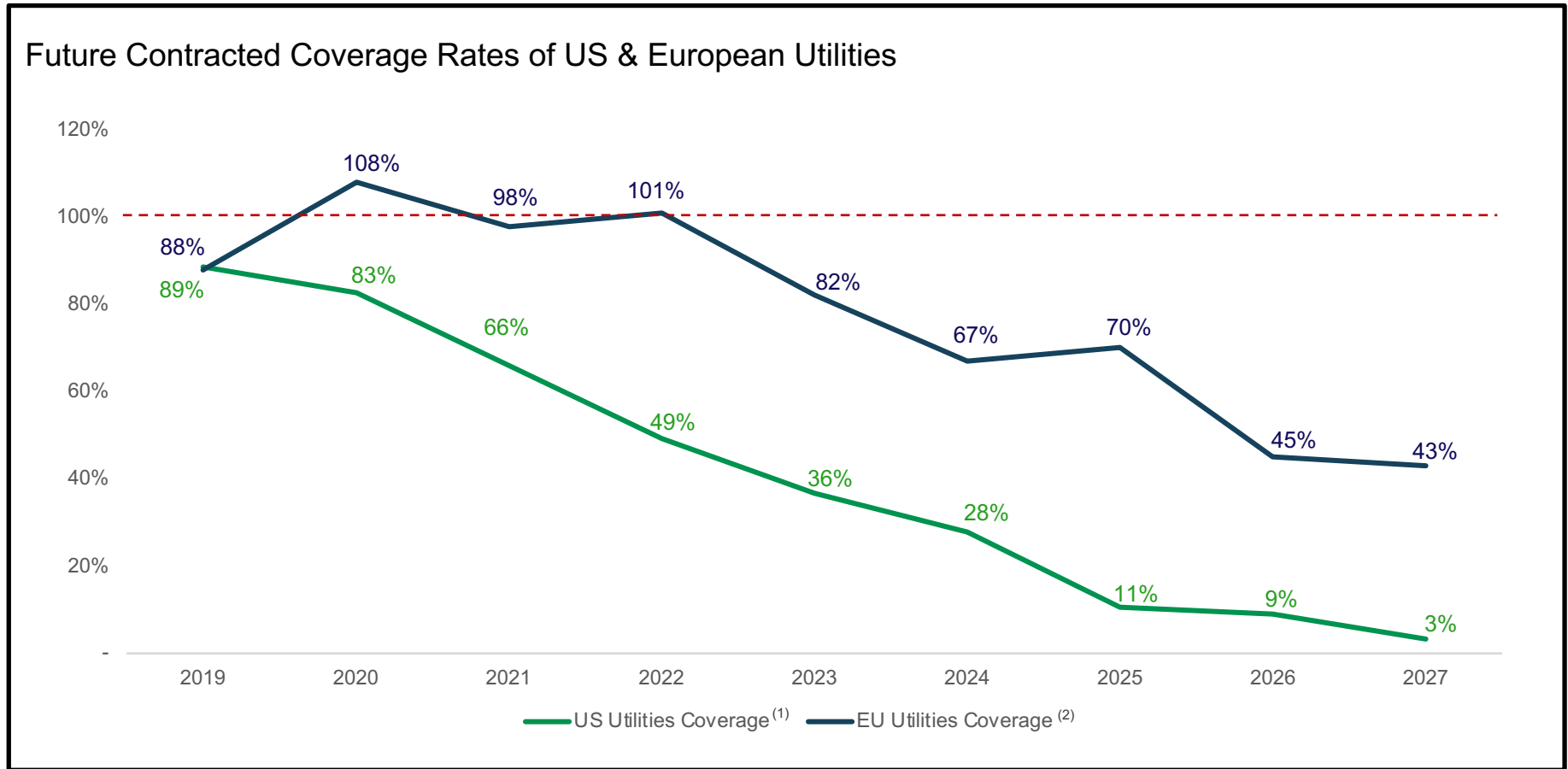


Source  
 Company estimate, analyst research  
 (1) "The Nuclear Fuel Report - Global Scenarios for Demand and Supply Availability 2019-2040 (September 2019)"



# Long-Term Contracts Need to be Replaced

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



Source

(1) Euratom Supply Agency Annual Report 2018 (21 March 2019)

(2) U.S. Energy Information Administration 2018 Uranium Marketing Annual Report (May 2019)

# Current Uranium Market Dynamics

- US policy issues dominated 2019 activity ⇒ Section 232, Working Group, Iran Waivers, Russian Suspension Agreement
- The decision by the President of the United States of America not to implement any trade restrictions was welcomed
- However, the establishment of a Working Group has resulted in some extended uncertainty
- We expect market activity to increase once the Working Group completes its review
- Potential for supply shocks due to COVID-19
- 2019 market demand was around 190 mmlb and primary production was 142 mmlb<sup>(1)</sup>
- UxC LLC indicated 2020 market demand (base case) totalling 180mmlb in a recent quarterly market report

Source  
(1) UxC LLC 2019 forecast

# Macro-Economic Context Provides Opportune Timing for Investment in Uranium

## Structural Demand Developments

- Nuclear power is a growing source of energy
  - 441 reactors operating globally, 54 under construction, 109 planned and 330 proposed projects<sup>(1)</sup>
- The US Energy Information Administration forecasts a 29% increase in nuclear power by 2030<sup>(2)</sup>

## Structural Supply Developments

- More than half of global production does not make money at the current spot price
- Significant supply side discipline has emerged from major producers
- New projects' incentive price well above the current spot price, which will impact future supply

Source:

(1) World Nuclear Association (February 2020)

(2) U.S. Energy Information Administration 2018 Uranium Marketing Annual Report (May 2019)

# Yellow Cake

## Investment Highlights and Outlook

### Investment Highlights

- 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

### Outlook

- A conclusion of the US regulatory process should result in a return to a more normal market
- There is evidence that the US utilities are beginning to enter the market
- Contract coverage in the US falls off significantly over the next few years
- Persistent low prices are impacting current and future supply
- COVID-19 presents an additional supply risk