



PURE EXPOSURE TO THE  
URANIUM COMMODITY

# INVESTOR PRESENTATION

February

# 2021



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# Uranium market update

## January 2021

- UxC reports total spot market volumes of 4.2 Mlbs  $U_3O_8$  for the month of January “with much of the month’s volume resulting from off-market activity including several larger-than-average spot transactions to start the year.”
- The month-end January  $U_3O_8$  spot price (UxC) stood at US\$29.50 /lb, a minimal decline from the end of December price level of US\$30.00 /lb
- Based upon month-end reported prices, the spot market price has traded in a narrow range of \$29.45-\$30.00 /lb since September 2020 with almost 25 million pounds  $U_3O_8$  transacted from the beginning of September 2020 to the end of January 2021
- In its “2020 Uranium Spot Market Review”, UxC reported total 2020 spot market transactional volumes at 92.3 Mlbs  $U_3O_8$  taking place under 560 deals throughout the year (both new records)
- Break-down by buying groups:
  - Intermediaries/Others – 44.9 Mlbs
  - Uranium Producers – 29.6 Mlbs
  - Utilities (US and non-US) – 17.8 Mlbs
- Break-down by selling groups:
  - Intermediaries/Others – 76.6 Mlbs
  - Producers – 12.6 Mlbs
  - US utilities – 3.0 Mlbs

# Uranium market update

## January 2021

### Kazatomprom

- Implemented a gradual restart of country-wide uranium operations subsequent to the Covid-19 four month shut-down (April-July). It was reported that well-field development and facility operations were impacted due to the Covid-19 shut-down. Uranium production for CY2020 was reported at 50.6 Mlbs
- This is a decrease of almost 15% from the previous year's total of 59.3 Mlbs  $U_3O_8$
- Several ISR operations reported positive cases of Covid-19 during January. CY2021 production guidance remains at 57.2-59.3 Mlbs  $U_3O_8$ , "consistent with [Kazatomprom] market-centric strategy and the intention to flex down planned production volumes by 20% for 2018 through 2022 (versus planned production levels under Subsoil Use Agreements)"

### Cameco

- At a TD Securities Mining Virtual Conference (28 January) Cameco stated that Cigar Lake remains on care and maintenance and the company expects to reopen the facility in 2021
- Cameco continues to selectively pursue "off-market" term contracting and expects that market segment to be very active entering the new year, while the "on-market" term contracting (utilities issuing formal requests for proposals) remains quiet. Cameco continues to see far more risk to global uranium supply than threats to future uranium demand

### Rio Tinto

- In its 8 January media release, Energy Resources of Australia Ltd, (ERA) (majority-owned by Rio Tinto) announced that its Ranger Uranium Mine (Northern Territory, Australia) had ceased processing stockpiled uranium ore and would now enter decommissioning/reclamation which is to be completed by January

# Uranium market update

## January 2021

### US Congress

- On 21 December 2020, the US Congress passed the consolidated appropriations bill including US\$75 million to fund a national uranium reserve program in FY2021 (ends 31 October)
- The legislation directs the US Department of Energy to submit within 30 days a plan for the proposed establishment of the uranium reserve. In addition, the appropriations bill included a section which codifies protections contained in the recent Amendment to the Russian Suspension Agreement limiting importation of uranium from the Russian Federation into the United States

### International energy Agency (“IEA”)

- The IEA released its initial “Electricity Market Report (December 2020)” summarising the expected outcomes in 2020 of the effects of Covid-19 on global electricity demand and generation capacity. Global electricity demand was anticipated to decline by 2% resulting from an assumed 4.4% decline in global GDP
- The IEA estimated nuclear generation to fall by about 4% compared to 2019 stating “much of the demand squeeze took place in the first half of the year but less capacity was available all year as plant closures in France, Sweden, Germany, Switzerland and the United States occurred in late 2019 and early 2020”
- The IEA report observed that:

*“Nuclear power sees significant growth in new capacity in 2020 as new units in China, India, Russia, Belarus, Korea, Slovakia (potentially delayed to early next year) and the United Arab Emirates add over 8 GW of new capacity, most of it late in the year. This more than offsets the closure of units in France, Sweden, and the United States, which will remove about 5 GW from service”*

# Estimated net asset value

On 5 February 2021, the ordinary shares of Yellow Cake closed on the LSE at a value of GBP2.26 per share, which represents a 5% discount to the net asset value of GBP2.38 per share

<b>Investment in Uranium</b>		<b>Units</b>	
Uranium oxide in concentrates (“U <sub>3</sub> O <sub>8</sub> ”)	(A)	lb	9,316,385
U <sub>3</sub> O <sub>8</sub> fair value per pound <sup>(1)</sup>	(B)	US\$/lb	29.41
U <sub>3</sub> O <sub>8</sub> fair value	(A) x (B) = (C)	US\$ m	274.0
Uranium derivative liability as at 30 September 2020	(D)	US\$ m	(3.1)
Cash and other net current assets/(liabilities) as at 31 December 2020	(E)	US\$ m	4.2
Net asset value in US\$ m	(C) + (D) + (E) = (F)	US\$ m	275.0
Exchange Rate <sup>(2)</sup>	(G)	USD/GBP	1.3735
Net asset value in £ m	(F) / (G) = (H)	£ m	200.2
Number of shares in issue less shares held in treasury	(I)		84,059,331
<b>Net asset value per share</b>	<b>(H) / (I)</b>	<b>£/share</b>	<b>2.38</b>

Source:

(1) Fair value is based on the Broker Average Price published by UxC, LLC on 5 February 2021

(2) Exchange rate of 1.3735 on 5 February 2021

# Investment case for Yellow Cake

## Industry context

Steady uranium demand growth from nuclear reactor build programme

Additional supply risks due to COVID-19

Sustained low uranium prices have led to supply cuts

Restricted investment into new supply sources

## Investment highlights

Holdings of physical  $U_3O_8$

No operating risks

Low cost structure

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





# The nuclear fuel value chain

## Mining

- Mining methods:
  - In-situ leaching
  - Open pit and underground mining
- Mines produce uranium oxide concentrate  $U_3O_8$

## Conversion

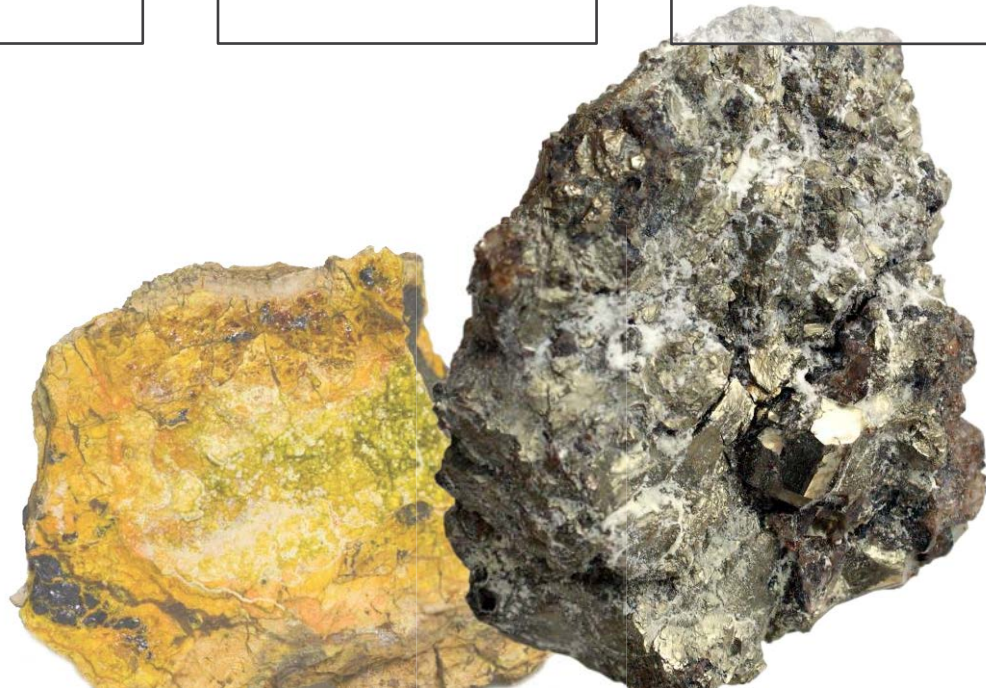
- Physical  $U_3O_8$  converted from powder form into natural uranium hexafluoride gas ( $UF_6$ )
- Commercial conversion plants located in USA, Canada, France, Russia and China

## Enrichment

- Commercial process for enrichment involves gaseous uranium ( $UF_6$ ) in centrifuges
- Uranium-235 isotope is raised from the natural level of 0.7% to about 3.5% to 5%

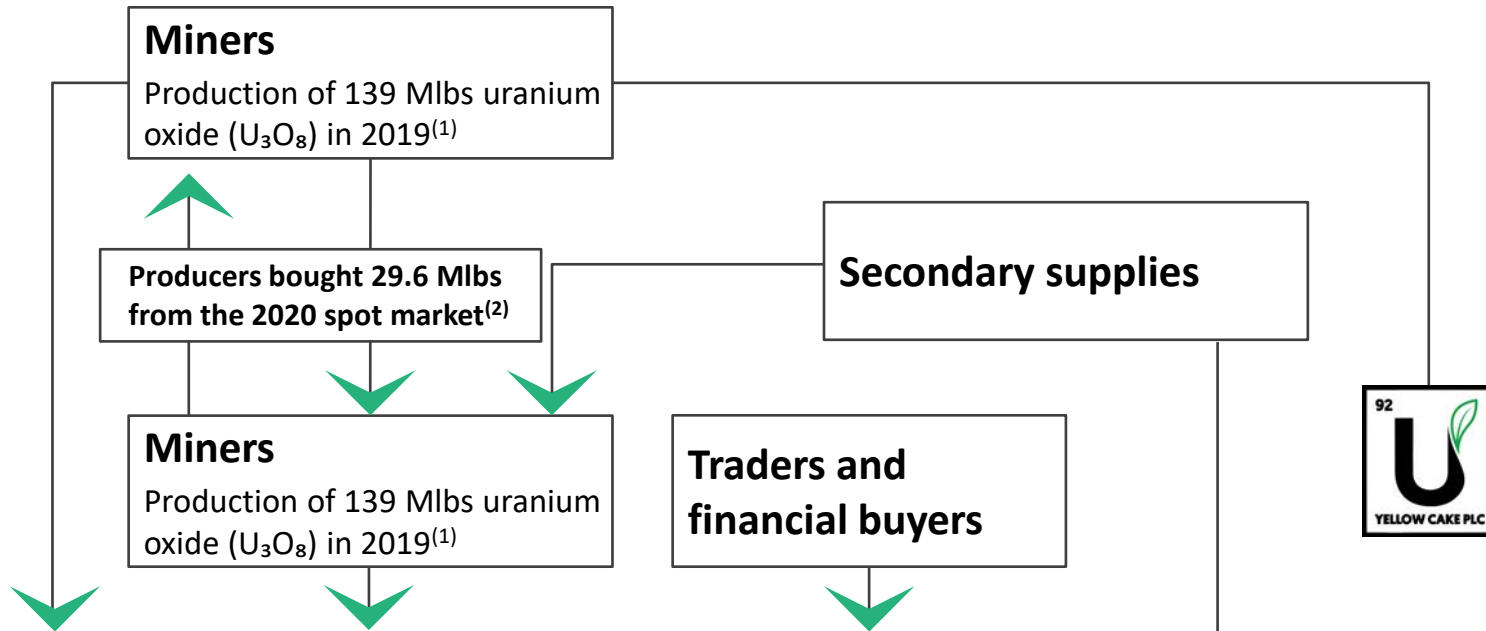
## Fuel Fabrication

- Enriched  $UF_6$  is converted to uranium dioxide powder which is fabricated into fuel rods and then fuel rod bundles
- Fuel bundles are placed into nuclear reactors owned by utility companies





# The uranium market



## Utilities

### Global

1. Utilities 2020 reactor requirements 177.4 Mlbs of  $U_3O_8$ <sup>(3)</sup>
2. Expected 2021 reactor requirements 177.5 Mlbs<sup>(4)</sup>
3. Total 2020 spot purchases by nuclear utilities (global) – 17.8 Mlbs (19% of average spot market volume – 92.3 Mlbs)<sup>(5)</sup>

### Combined US/EU Utilities (data from CY2019)

1. Total US/EU uranium deliveries (spot / term) for 2019 – 81.7 Mlbs<sup>(6,7)</sup>
2. Uranium delivered under long-term/multi-year purchase agreements – 68.0 Mlbs (83.2%) (average price – US\$34.62/lb.)<sup>(6,7)</sup>
3. Uranium delivered under spot purchase agreements – 13.7 Mlbs (16.8%) (average price – US\$26.97/lb.)<sup>(6,7)</sup>

1) UxC LLC - 2019  $U_3O_8$  Production Review, May 2020

2) UxC LLC - 2019 Uranium Spot Market Review, February 2021

3) World Nuclear Association, World Nuclear Power Reactors & Uranium Requirements (August 2020)

4) World Nuclear Association, World Nuclear Power Reactors & Uranium Requirements (January 2021)

5) UxC LLC – 2020 Uranium Spot Market Review (25 January 2021)

6) Euratom Supply Agency Annual Report 2019

7) US Energy Information Administration 2019 Uranium Marketing Annual Report (May 2020)

## Key contracts provide strategic advantage



### 308 Services

#### 308 Services Ltd

- A uranium specialist company focused on the uranium commodity market
- 308 Services brings significant uranium expertise and market knowledge and supports Yellow Cake in procurement and other uranium transactions



### Kazatomprom Framework Agreement

#### Kazatomprom

- The world's largest and lowest cost producer<sup>(1)</sup>
- 10-year Framework Agreement gives the Company the right to purchase up to US\$100m of U<sub>3</sub>O<sub>8</sub> each year from 2019 to 2027
- Purchase price based on the spot price
- The Company can also source uranium from any other producers if advantageous



### Cameco Storage Contract

#### Cameco – Blind River, Canada

- World's second largest uranium producer<sup>(1)</sup>
- Yellow Cake holds 8.72 Mlbs of U<sub>3</sub>O<sub>8</sub> in a storage account at a regulated facility operated by Cameco at Port Hope/Blind River in Ontario, Canada
- Storage rates have been negotiated to achieve significant cost savings and support the Company's low cost operating structure



### Orano Storage Contract

#### Orano – Malvési and Tricastin

- In 2020, 600 klbs of U<sub>3</sub>O<sub>8</sub> was transferred into a storage account at Orano Cycle's Malvési/Tricastin storage facility in France under location swap agreements
- The Company enters into transactions such as location swaps from time to time, when this is commercially advantageous

# Yellow Cake operating history

## Strategy

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



### IPO: July 2018

Raised US\$200m  
Purchased 8.1 Mlbs  $U_3O_8$   
at US\$21.01 /lb

### August 2018

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

### April 2019

Raised US\$33.9m

### June 2019

Purchased 1.175 Mlbs  $U_3O_8$   
at US\$25.88 /lb

### January 2020

Yellow Cake announces  
share buyback programme

### July 2020

Yellow Cake sells 300 klb  $U_3O_8$   
for US\$33.20 /lb  
Announces larger US\$10m  
share buyback programme  
Yellow Cake earns US\$1m  
for location swap

Current total holding of  $U_3O_8$   
– 9.32 Mlbs acquired at an average price of US\$21.71 /lb





# Yellow Cake corporate summary

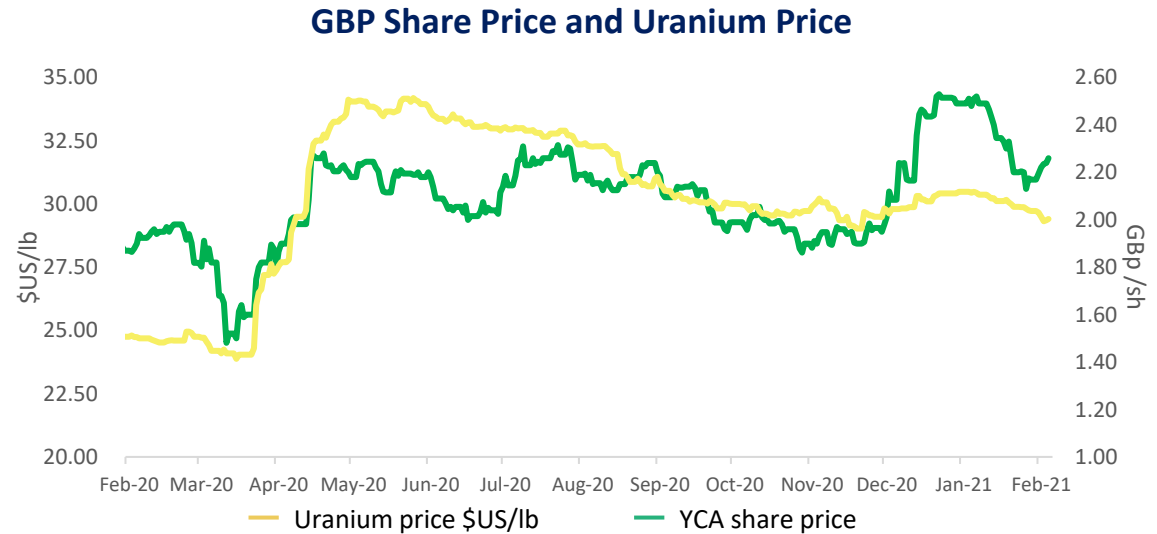
## Corporate overview

Last share price <sup>(1)</sup>	£2.26
NAV per share <sup>(2)</sup>	£2.38
Market cap (m) <sup>(1)</sup>	£188
Shares out. (m)	88.2
Shares held in treasury (m) <sup>(1)</sup>	4.2
52 week high	£2.58
52 week low	£1.36

## Analyst coverage and rating

	Buy
	Buy
	Buy
	Buy

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



## Blue chip shareholder registry



Source:

(1) As at 5 February 2021

(2) Yellow Cake's estimated net asset value on 5 February £2.38 per share. See calculation on page 5

(3) Fair value is based on the Broker Average Price published by UxC, LLC



# Uranium market overview



# 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 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

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%

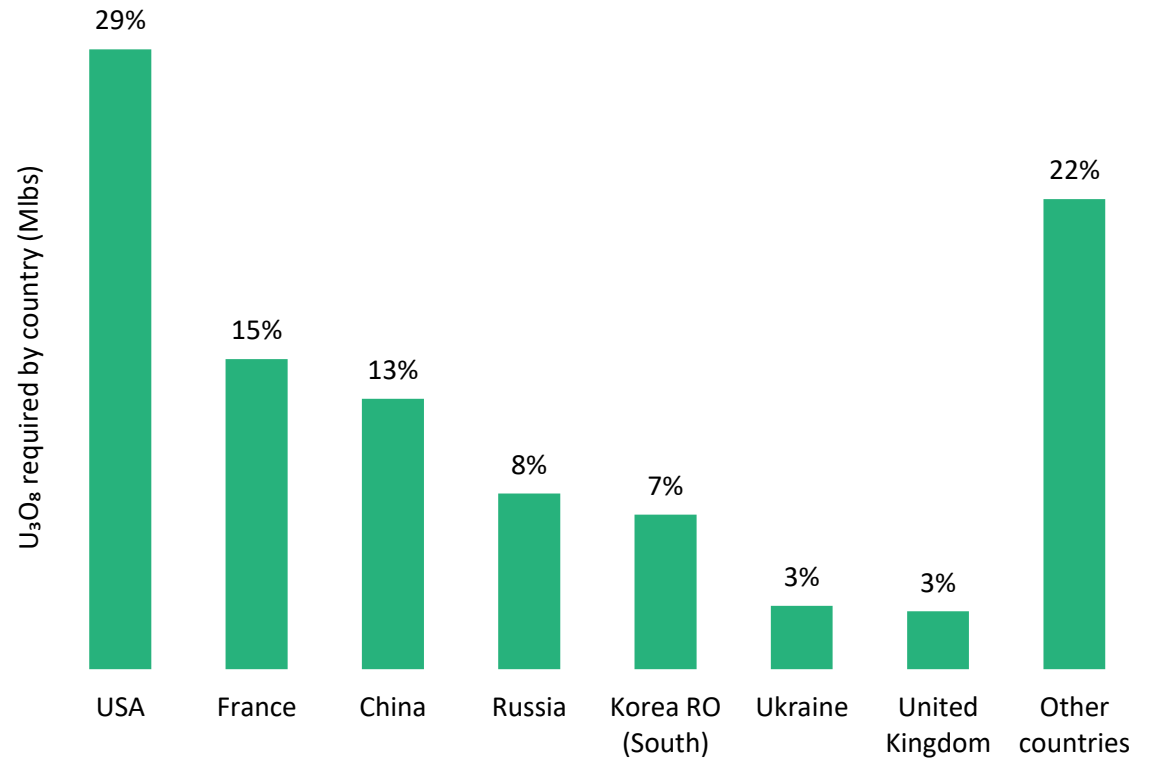


# Nuclear demand growth

The World Nuclear Association estimates a total of 177 Mlbs of uranium is required to power today's fleet of 442 operable reactors<sup>(1)</sup>

- USA** 94 operable reactors
- France** 56 operable reactors
- China** 49 operable reactors
- Russia** 38 operable reactors
- South Korea** 24 operable reactors

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



Source

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

# Future demand

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

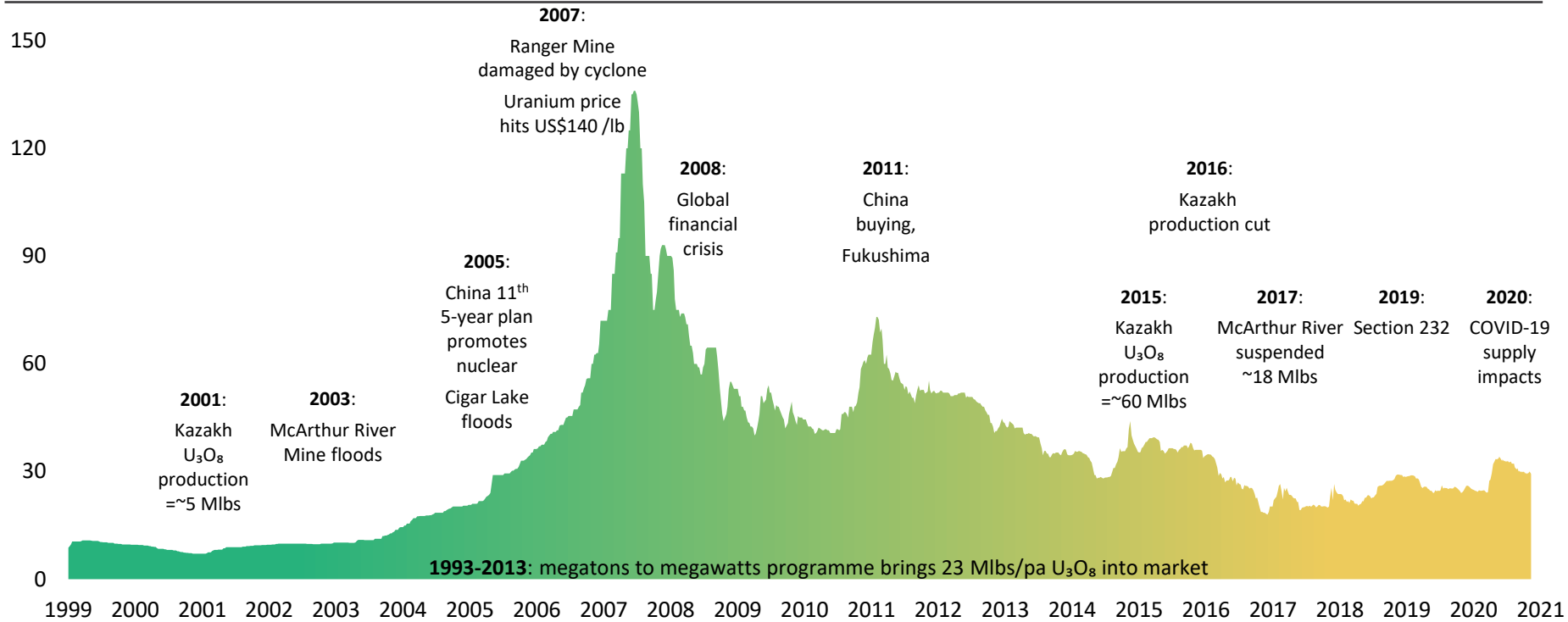
<p><b>China</b></p> <p>16 reactors under construction, 39 planned</p>	<p><b>India</b></p> <p>6 reactors under construction, 14 planned</p>	<p><b>Russia</b></p> <p>2 reactors under construction, 21 planned</p>	<p><b>UAE</b></p> <p>3 reactors under construction</p>
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Investment 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	53	98	326
China Reactor Fleet	49	16	39	168

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

# Supply – uranium price chart

Historical uranium price<sup>(1)</sup>



Source

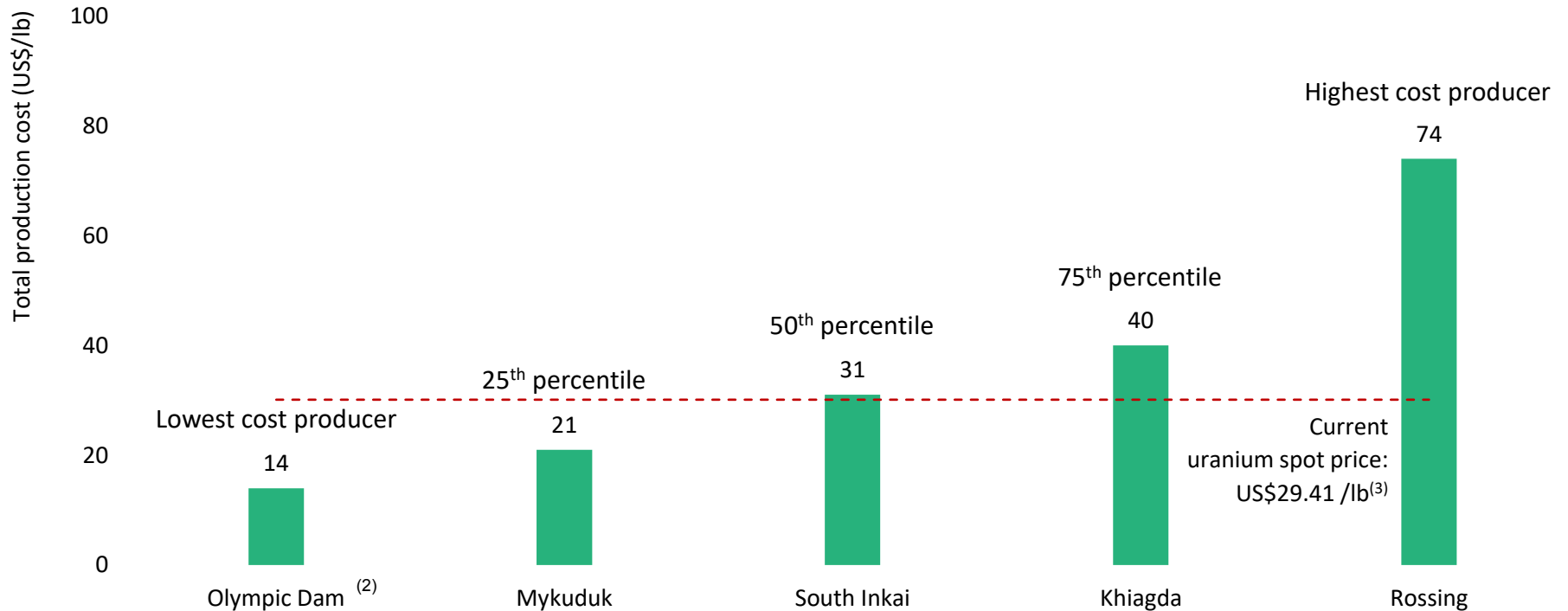
(1) Fair value is based on the Broker Average Price published by UxC, LLC



# Supply

Significant portion of supply is loss making at current spot price

2018 estimated total production costs<sup>(1)</sup> (\$US/lb)



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) Fair value is based on the Broker Average Price published by UxC, LLC

# Global supply cuts

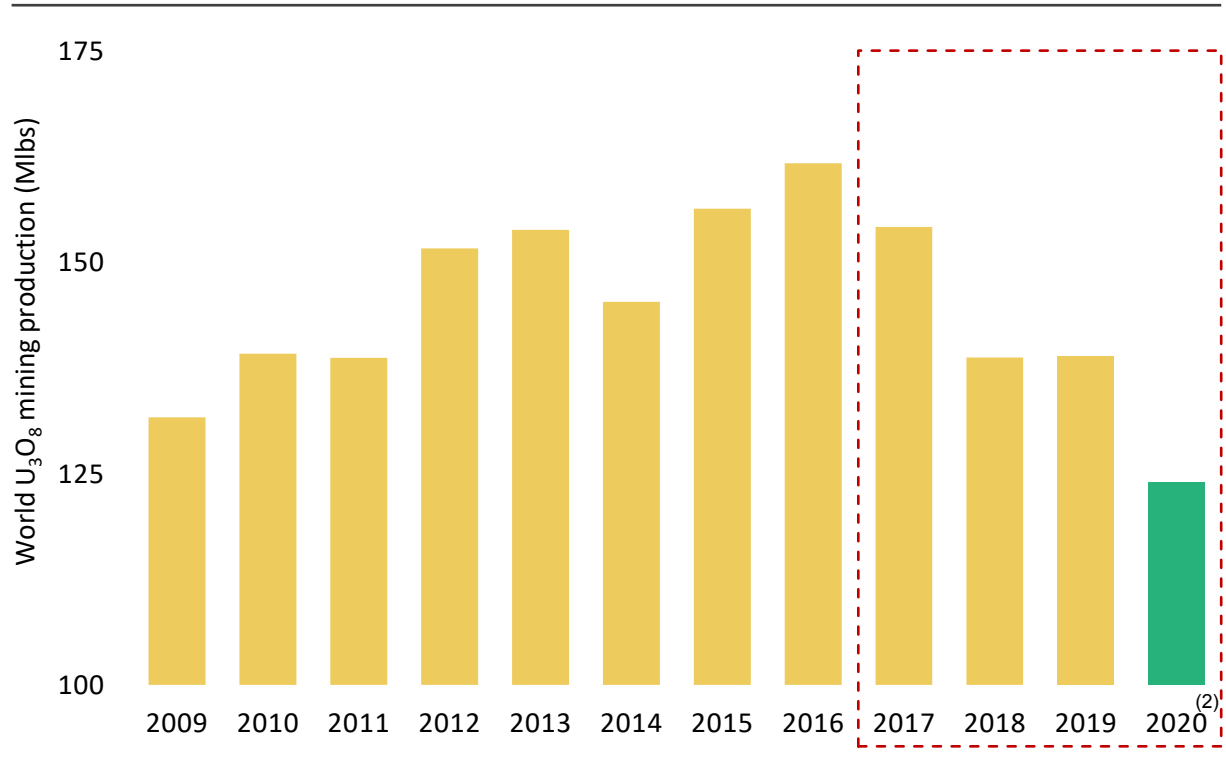
Producers have been taking self-help measures, exacerbated by COVID-19

Supply side responses have been the major theme of the market since 2016

- Cameco’s shut down of Rabbit Lake in 2016, and suspension at McArthur River in 2018
- Kazatomprom’s announcement in 2017 of a 20% production reduction for three years
- Paladin suspension at Langer Heinrich in May 2018

Recent announcements of Cigar Lake suspension and Kazatomprom production curtailments related to COVID-19

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



Source

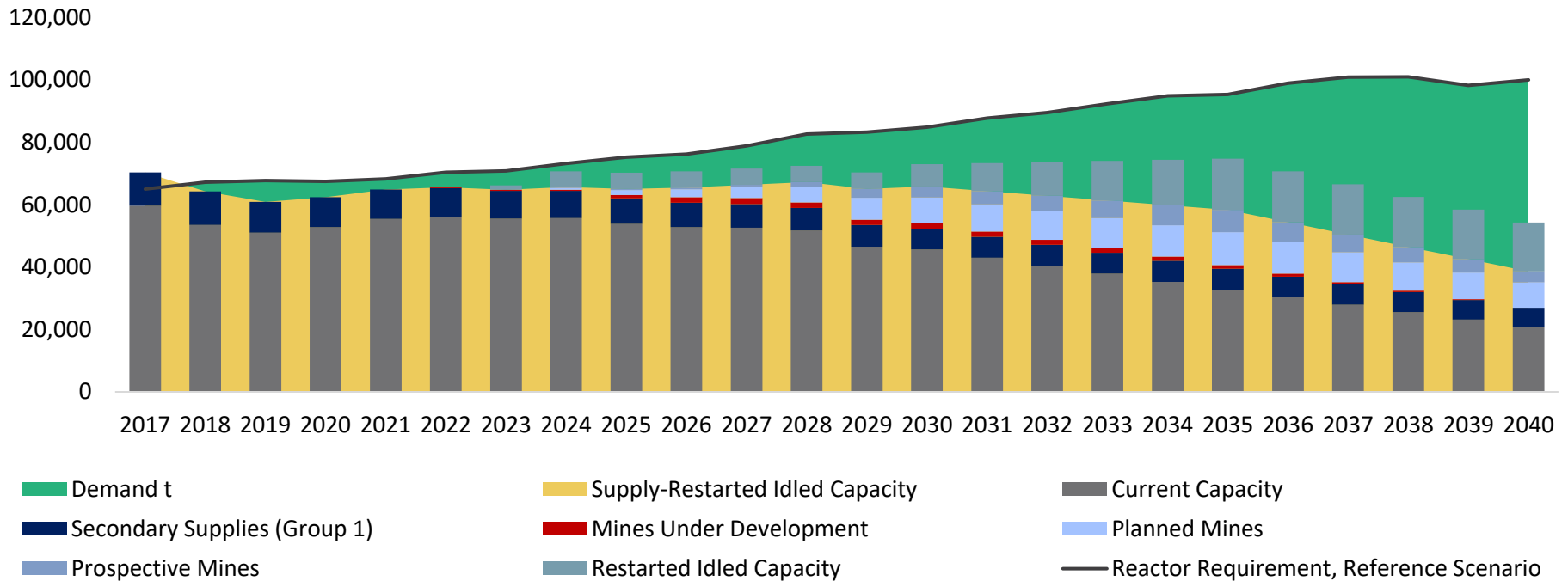
(1) World Nuclear Association, World Uranium Mining Production (August 2019)

(2) UxC LLC – “2019 U<sub>3</sub>O<sub>8</sub> Production Review”, May 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)

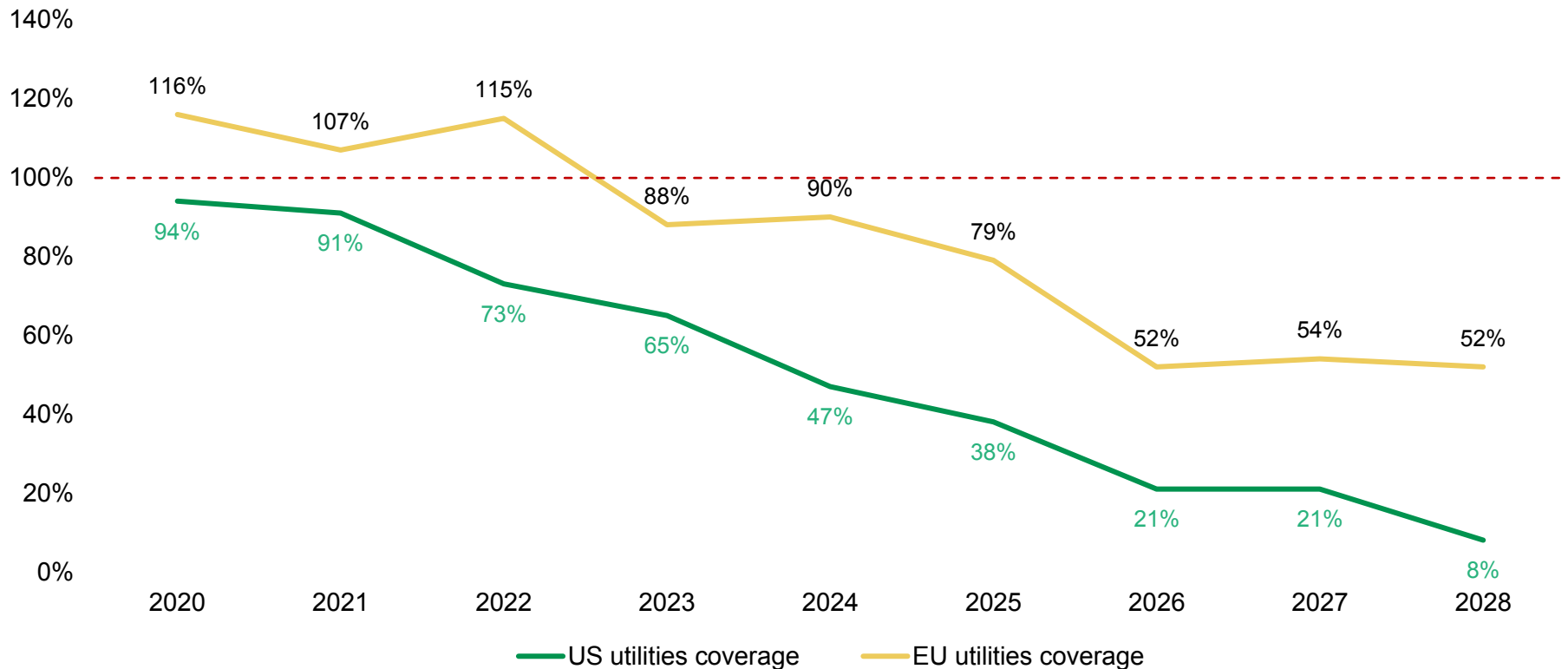


Source  
 (1) The Nuclear Fuel Report - Global Scenarios for Demand and Supply Availability 2019-2040 (September 2019)

# 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)



# 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 COVID-19 related supply impacts, but has pulled back recently
- Uranium contract coverage in the US at exceptionally low levels
- Immediately prior to the COVID-19 pandemic, US utilities were entering the long-term market and we expect them to re-enter the term market in the near term
- We continue to see more risk to the uranium supply side than the demand side

