



PURE EXPOSURE TO THE  
URANIUM COMMODITY

# INVESTOR PRESENTATION

March

# 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

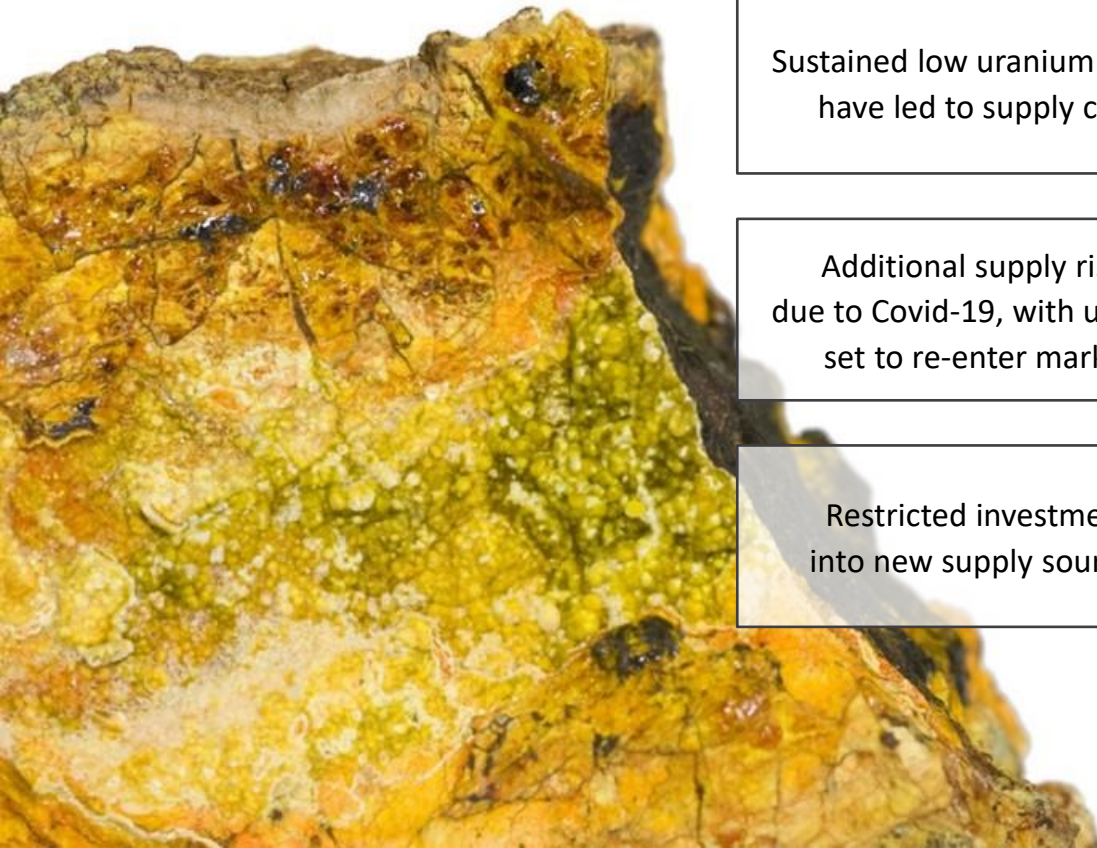
### Investment highlights

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





# Why purchase additional uranium now?

## Macro Drivers

### Investor Sentiment

- There has been renewed investor interest in the uranium sector as generalist investors increasingly take note of the attractive supply demand fundamentals
- Uranium equities performed well towards the end of Q4 2020 and have continued their positive performance into Q1 2021

### Emerging Resources Bull Market

- Commodity prices have rallied strongly, attracting significant investor attention
- Uranium price has increased c. 70% since 2016 and was up strongly (c. 30%) in 2020
- Some research analysts are calling this the beginning of a commodity super cycle

### Uranium Supply and Demand disconnect has been highlighted by COVID-19

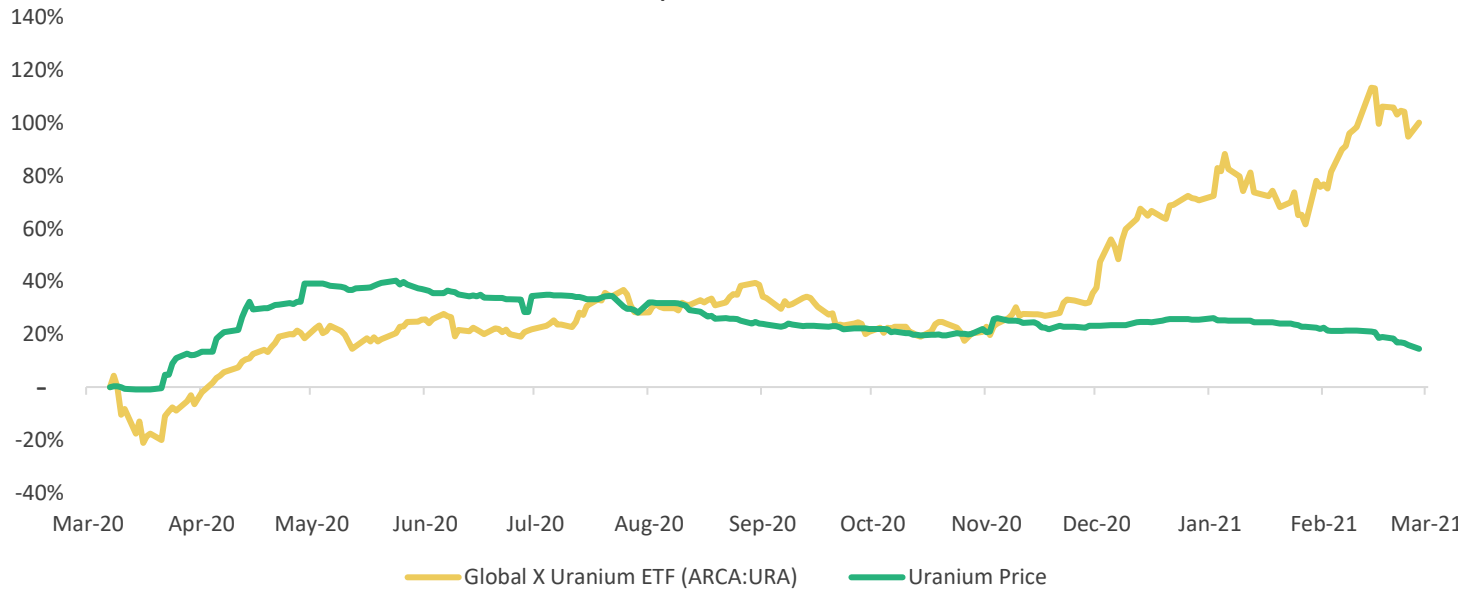
- COVID-19 has led to supply disruptions with Cigar Lake being put on care and maintenance for a second time
  - 2021 utility demand is forecast at 177 Mlb
  - 2021 expected primary production is 125-130 Mlb
- A move in the spot price will depend on the timing of;
  - A Cigar Lake restart – Cameco's operation in Canada produces 18 Mlb/year, which is 13% of annual global production (at peak production)
  - Whether Kazatomprom's 2021 production guidance of 57 - 59 Mlb is met. In 2020 their output was 50 Mlb
  - If Kazatomprom doesn't make guidance, it may need to enter the spot market to purchase material
- Yellow Cake exercising the Kazatomprom option in Q1 2021 and having capital to make additional purchases on the spot market will further impact an already supply constrained market



# Why purchase additional uranium now?

## Renewed Investor Interest in Uranium Equities

Uranium Equities Performance – LTM<sup>(1)</sup>



### February 2021 Uranium Equity Raises

Date	Company	Market Cap <sup>(1)</sup>	Exchange	Deal Size	Discount to Share Price
Feb 2021	Yellow Cake	£185 M	AIM	US\$140 M	▪ At NAV 24 <sup>th</sup> February
Feb 2021	Nexgen Energy	C\$1,712	TSX	C\$150 M	▪ 7% Discount to last closing price
Feb 2021	Deep Yellow	A\$215 M	ASX	A\$40.8 M	▪ 13.7% Discount to 10 day VWAP
Feb 2021	Denison Mines	C\$1,262 M	TSX	US\$25 M	▪ 8% discount to last closing price
Feb 2021	Bannerman Res.	A\$150 M	ASX	A\$12 M	▪ 17% Discount to 15 day VWAP

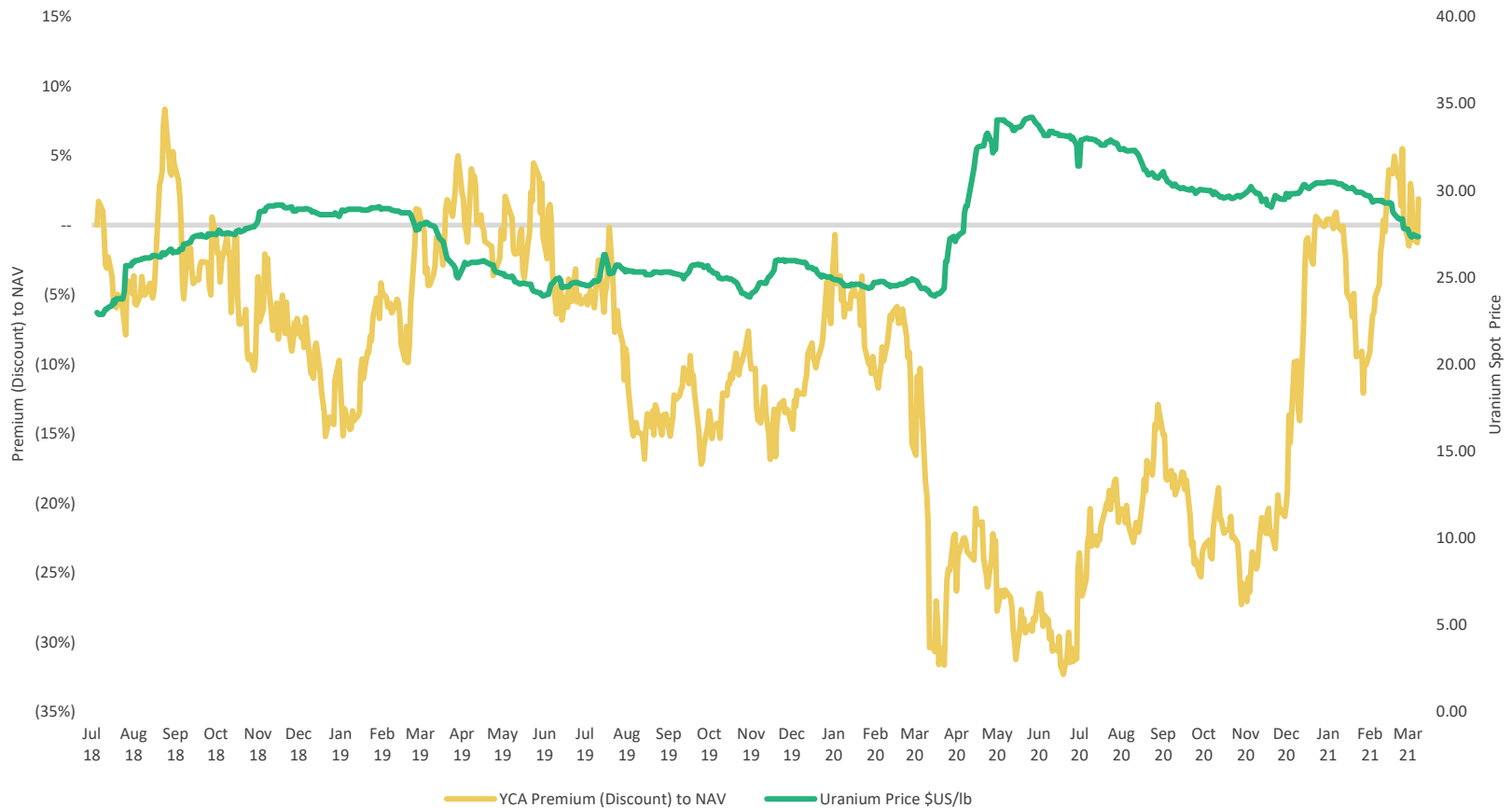
Source:  
(1) Cap IQ, March 2021

# Why purchase additional uranium now?

## Yellow Cake trades at a premium to NAV



Uranium Spot Price and YCA Premium (Discount) to NAV<sup>(1,2)</sup>



Source:  
 (1) Cap IQ, March 2021  
 1) UxC LLC on 9 March



# Yellow Cake Operating History

- 9.32 Mlb of  $U_3O_8$  acquired at an average price of US\$21.71 /lb
- Successful US\$140M equity raise
- US\$100 M to be used to acquire 3.5 Mlb from Kazatomprom

## 2018

- Yellow Cake raises US\$200m at IPO
- Purchased 8.1 Mlb  $U_3O_8$  at US\$21.01 /lb
- Purchased 350 klb  $U_3O_8$  at US\$23.30 /lb

## 2019

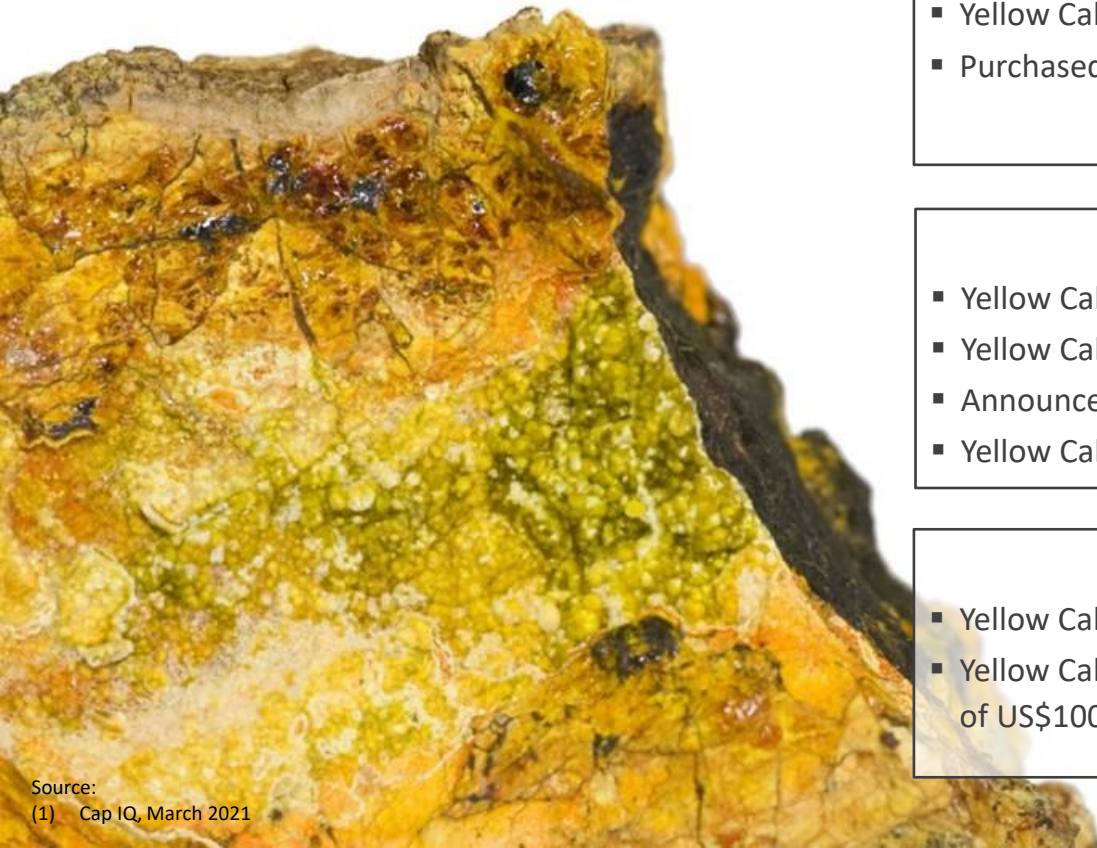
- Yellow Cake raises US\$33.9m
- Purchased 1.175 Mlb  $U_3O_8$  at US\$25.88 /lb

## 2020

- Yellow Cake announces share buyback programme
- 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 from location swap

## 2021

- Yellow Cake raises US\$140M equity
- Yellow Cake funded to exercise the 2021 Kazatomprom option of US\$100 M at a price of \$28.95 /lb



# Uranium market update

## February 2021



- UxC reports total spot market volume of slightly more than 5.1 Mlb  $U_3O_8$  for the month of February
- A large single deal with spot delivery helped push up the overall monthly volume close to average levels for February
- In general, spot market demand has been modest, with monthly transactions averaging less than 4.5 Mlb / month over the November 2020 – February 2021 period as compared to the record-setting average 2020 volume of 92.3 Mlb  $U_3O_8$  (7.7 Mlb  $U_3O_8$  / month)
- The month-end Spot  $U_3O_8$  Price (UxC) stood at US\$28.20 /lb on February 22 representing a decline of \$1.30 /lb  $U_3O_8$  (4%) from the price at the end of the January
- The spot  $U_3O_8$  price level and trend reflects the decrease in near-term demand with anticipated producer buying yet to materialize in any significant volume
- UxC released it's "2020 Uranium Term Contracting Review" (15 February) reporting total 2020 term market contracting market volume at approximately 56 Mlb  $U_3O_8$ , taking place under 49 term contracts throughout the year, well short of the 2019 volume of 96.2 Mlb  $U_3O_8$ 
  - U.S. utilities accounted for 30.4 Mlb  $U_3O_8$
  - Non-U.S. utilities accounted for 25.6 Mlb  $U_3O_8$
  - Primary uranium producers captured 64% of the contract volume
  - Intermediaries (trading companies) secured 17% of the new term business
  - The contracting share attributed to enrichment suppliers fell to 11% in 2020, down from 44% of the 2019 term contracting volumes



# Uranium market update

## February 2021



- A draft outline of China's 14<sup>th</sup> Five Year Plan (covering the period, 2021-2025) reportedly indicates the government plans to increase installed commercial nuclear generating capacity from the current 49 reactors (50.6 Gwe) and 16 units (16.5 Gwe) under construction, increasing up to 70 Gwe by 2025
- In a statement published by China National Nuclear Corporation (CNNC), an additional 30 Gwe of nuclear capacity is anticipated to be under construction in 2025 resulting in approximately 100 Gwe being operational around 2030
- Honeywell announced (9 February) that a decision had been taken to restart operations at its uranium hexafluoride conversion facility located at Metropolis, Illinois. Production of natural uranium hexafluoride ( $UF_6$ ) is expected by early 2023
- The Metropolis Works Facility (MTW) has been off-line since late 2017 due to depressed conversion prices. However, the reduction of conversion supply coupled with decreased inventories led to a 400% increase in the price of conversion services between the third quarter of 2017 and the first quarter of 2021

# Estimated net asset value

On 9 March 2021, the ordinary shares of Yellow Cake closed on the LSE at a value of GBP2.27 per share, which represents a 4% premium to the net asset value of GBP2.19 per share

Investment in Uranium		Units	
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	27.50
U <sub>3</sub> O <sub>8</sub> fair value	(A) x (B) = (C)	US\$ mm	256.2
Uranium derivative liability as at 30 September 2020	(D)	US\$ mm	(3.1)
Cash and other net current assets/(liabilities) <sup>(2)</sup>	(E)	US\$ mm	138.5
Net asset value in US\$ mm	(C) + (D) + (E) = (F)	US\$ mm	391.6
Exchange Rate <sup>(3)</sup>	(G)	USD/GBP	1.3893
Net asset value in £ mm	(F) / (G) = (H)	£ mm	281.8
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>2.19</b>

Source:

- 1) Fair value is based on Broker Average Price published by UxC LLC on 9 March 2021
- 2) Cash and other net current assets/(liabilities) as at 31 December 2020 plus net proceeds of capital raise completed 2 March 2021. Gross proceeds of the raise amounted to £99.3 m (\$138.6 m as at 2 March 2021)
- 3) Exchange rate of 9 March 2021

# Yellow Cake corporate summary

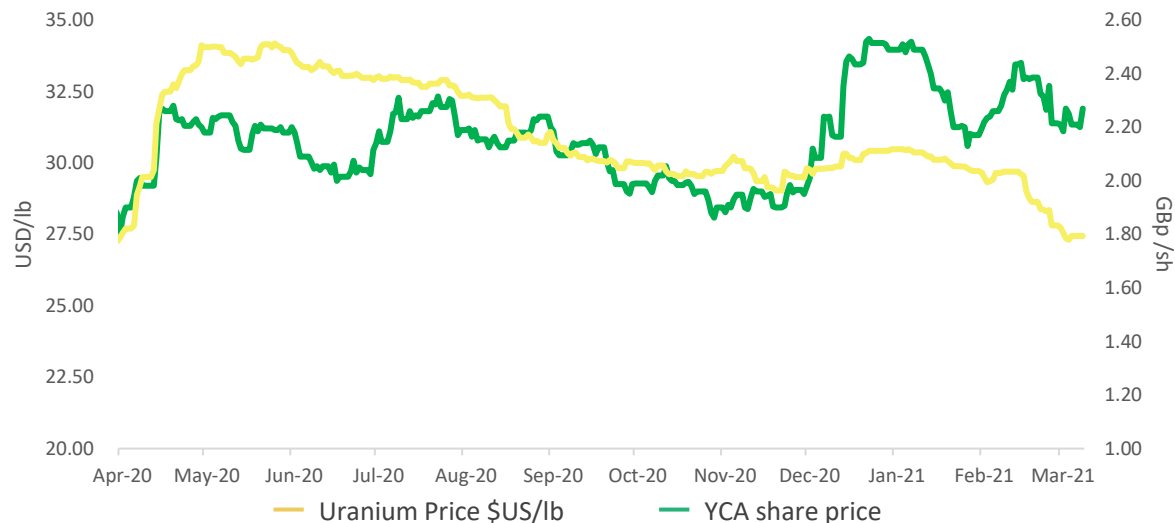
## Corporate overview

Last share price <sup>(1)</sup>	£2.27
NAV per share <sup>(2)</sup>	£2.19
Market cap (mm) <sup>(1)</sup>	£292
Shares out. (mm)	132.7
Shares held in treasury (mm) <sup>(1)</sup>	4.2
52 week high	£2.53
52 week low	£1.36

## Analyst coverage and rating

	Buy
	Buy
	Buy
	Buy

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



## Blue chip shareholder registry


Source:

- 1) Cap IQ on 9 March
- 2) Yellow Cake's estimated net asset value on 9 March. See calculation on page 17
- 3) UxC LLC on 9 March



# Yellow Cake

## 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

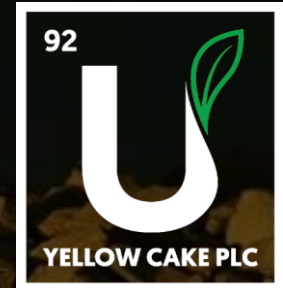
- World's second largest uranium producer<sup>(1)</sup>
- Yellow Cake holds 8.72 Mlb of U<sub>3</sub>O<sub>8</sub> in a storage account at a regulated facility operated by Cameco at Port Hope/Blind River in Ontario, Canada
- Storage rates have been negotiated to achieve significant cost savings and support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



### Orano Storage Contract

#### Orano – Malvési and Tricastin

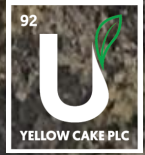
- In 2020, 600 klb of U<sub>3</sub>O<sub>8</sub> was transferred into a storage account at Orano Cycle's Malvési/Tricastin storage facility in France under location swap agreements
- The Company enters into transactions such as location swaps from time to time, when this is commercially advantageous



# 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 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%



# 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



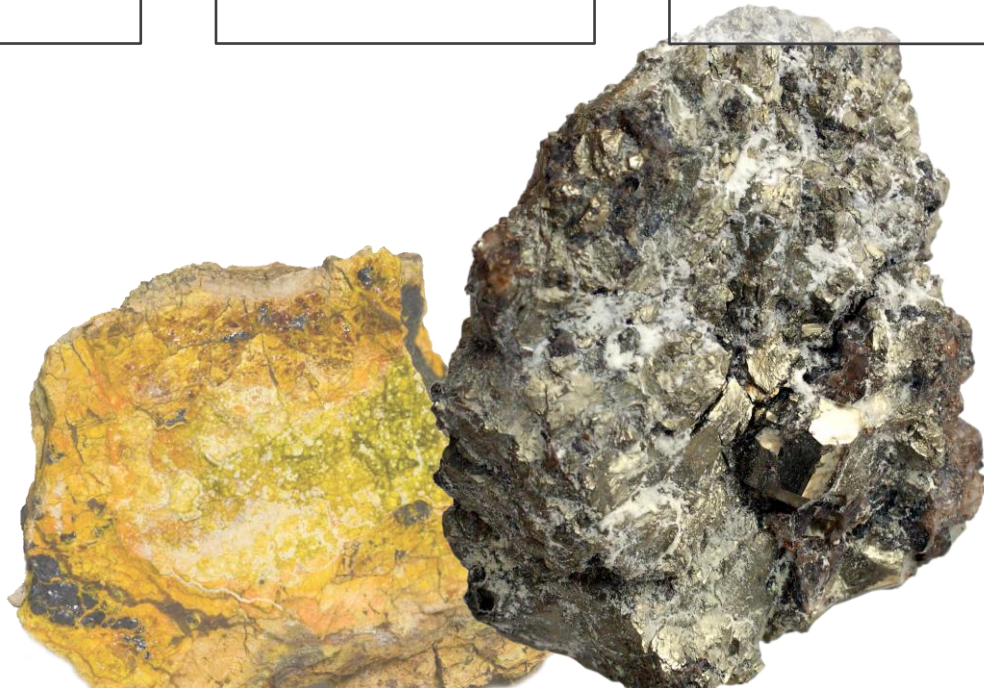
## Enrichment

- 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%

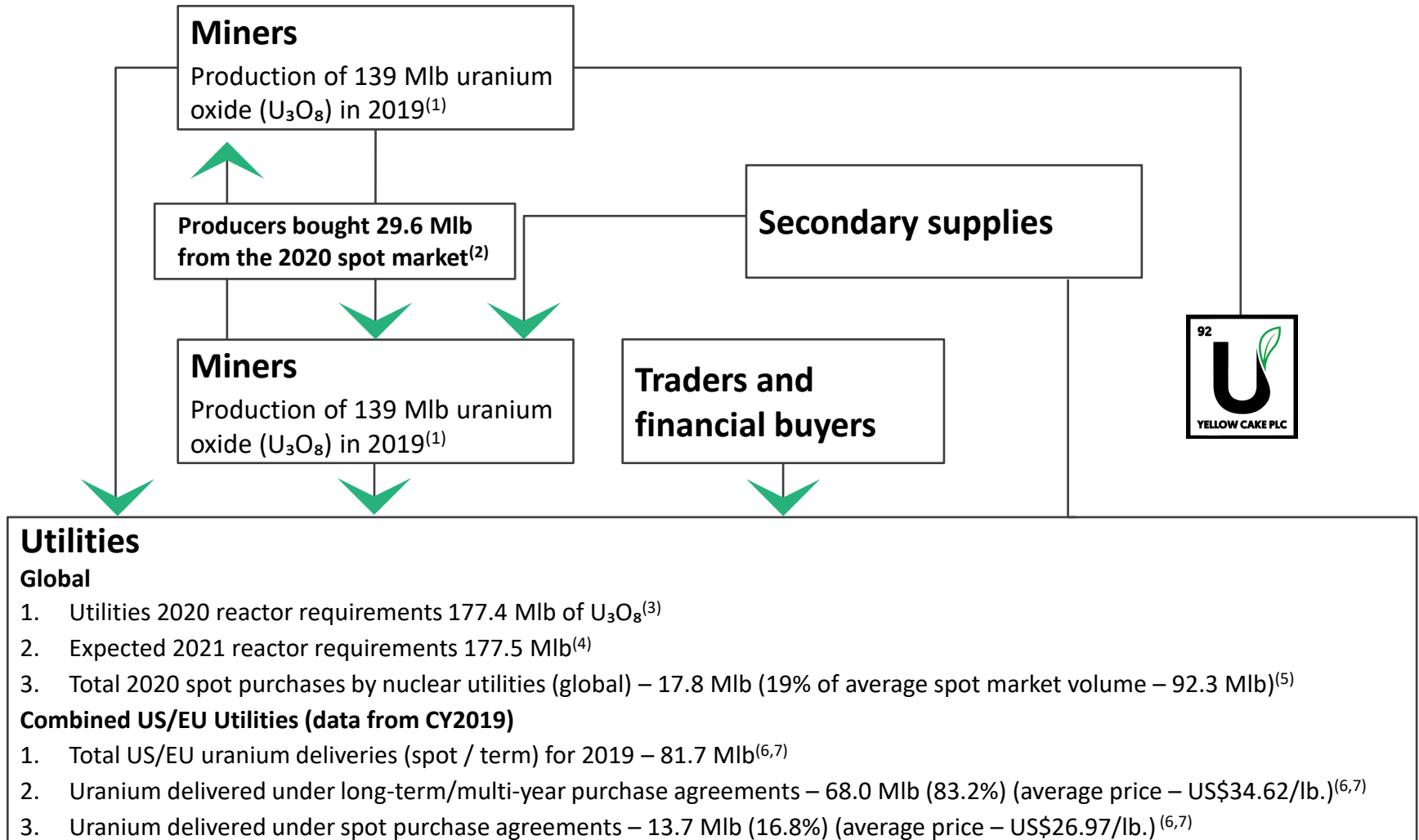


## Fuel Fabrication

- 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



Source:

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

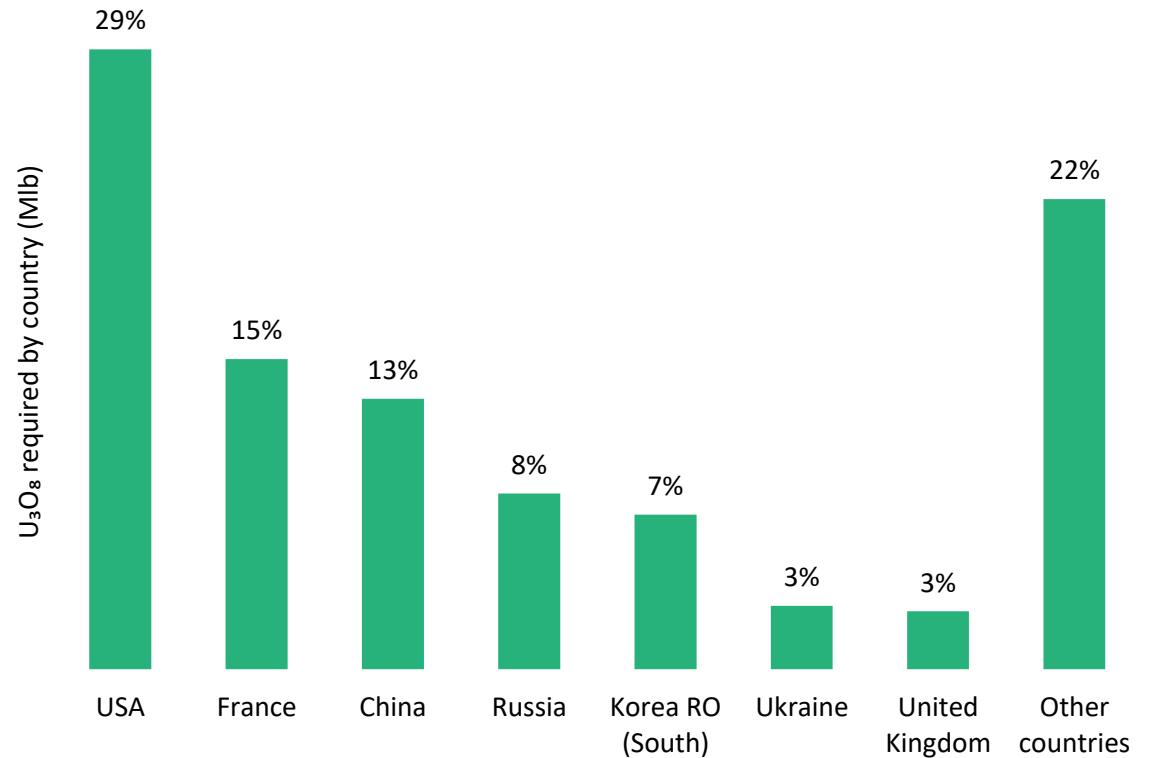
7) US Energy Information Administration 2019 Uranium Marketing Annual Report (May 2020)

# Nuclear demand growth

The World Nuclear Association estimates a total of 177 Mlb 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

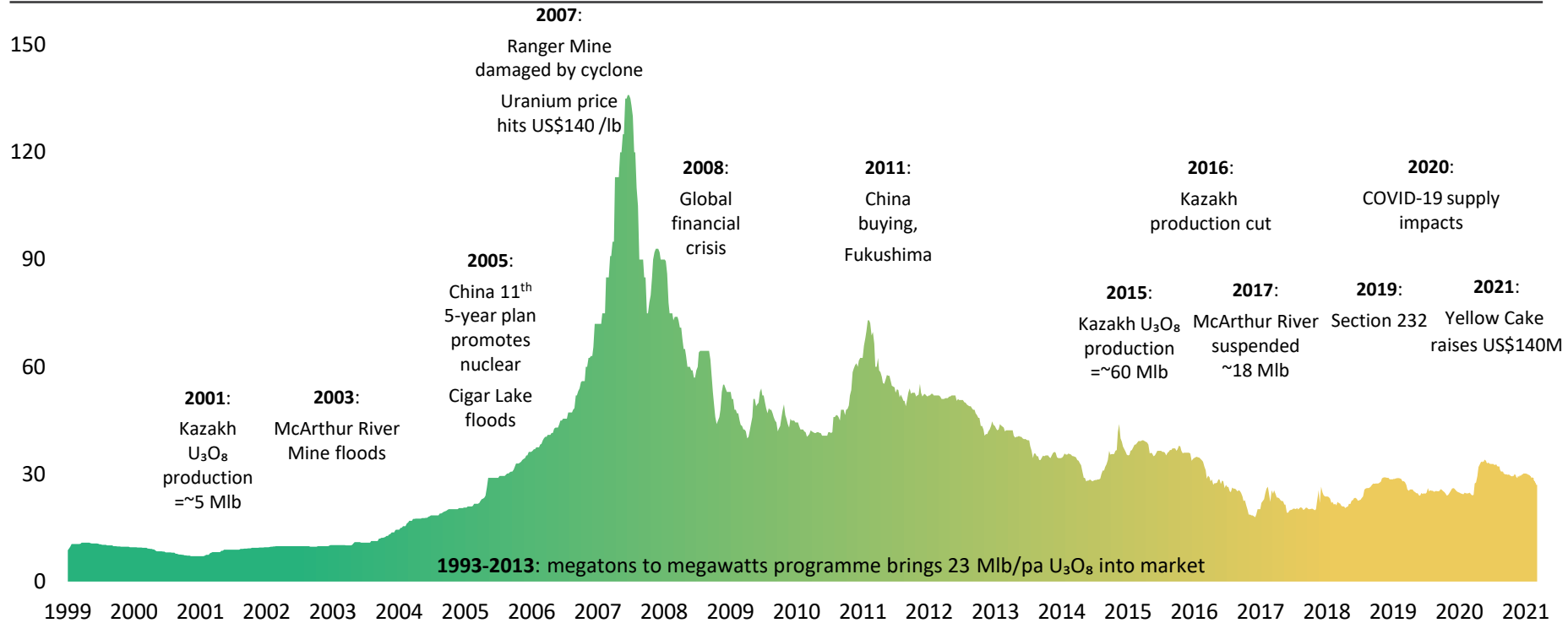
<p><b>China</b></p> <p>16 reactors under construction, 39 planned</p>	<p><b>India</b></p> <p>6 reactors under construction, 14 planned</p>	<p><b>Russia</b></p> <p>2 reactors under construction, 21 planned</p>	<p><b>UAE</b></p> <p>3 reactors under construction</p>
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Investment 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>



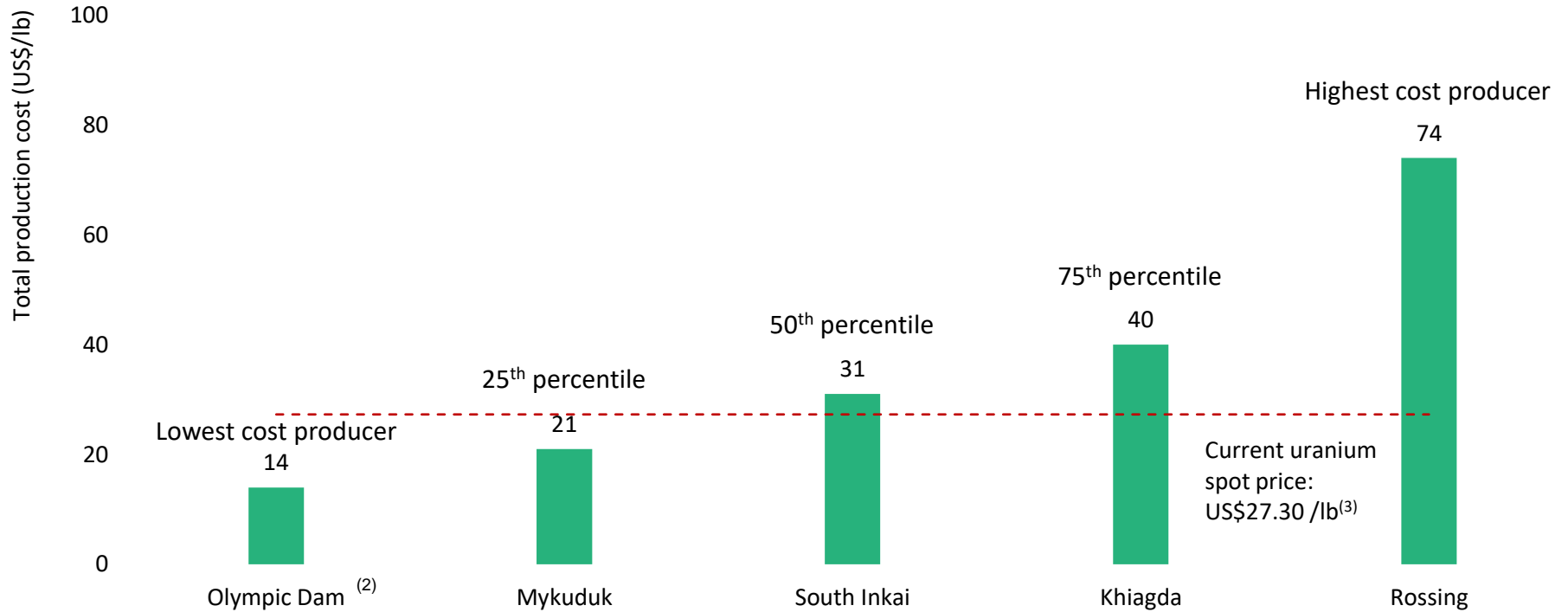
Source

(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 March 8 2021



# Global supply cuts

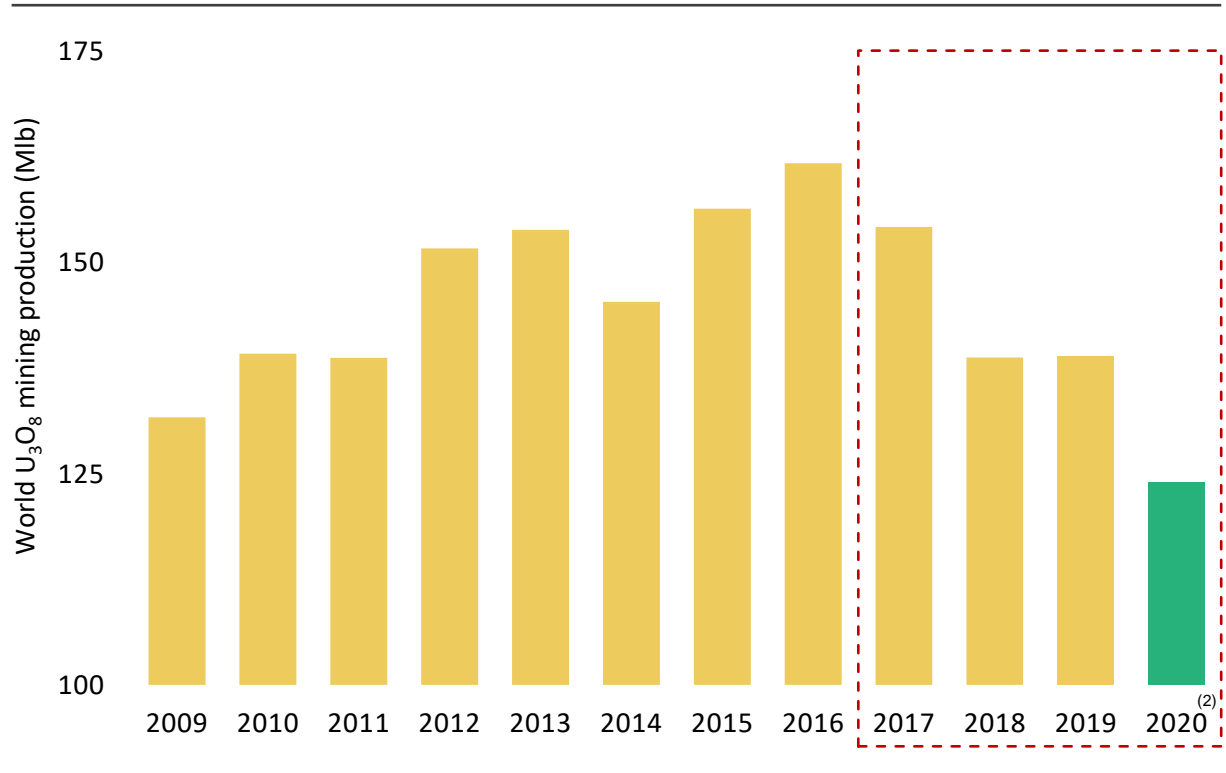
Producers have been taking self-help measures, exacerbated by COVID-19

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

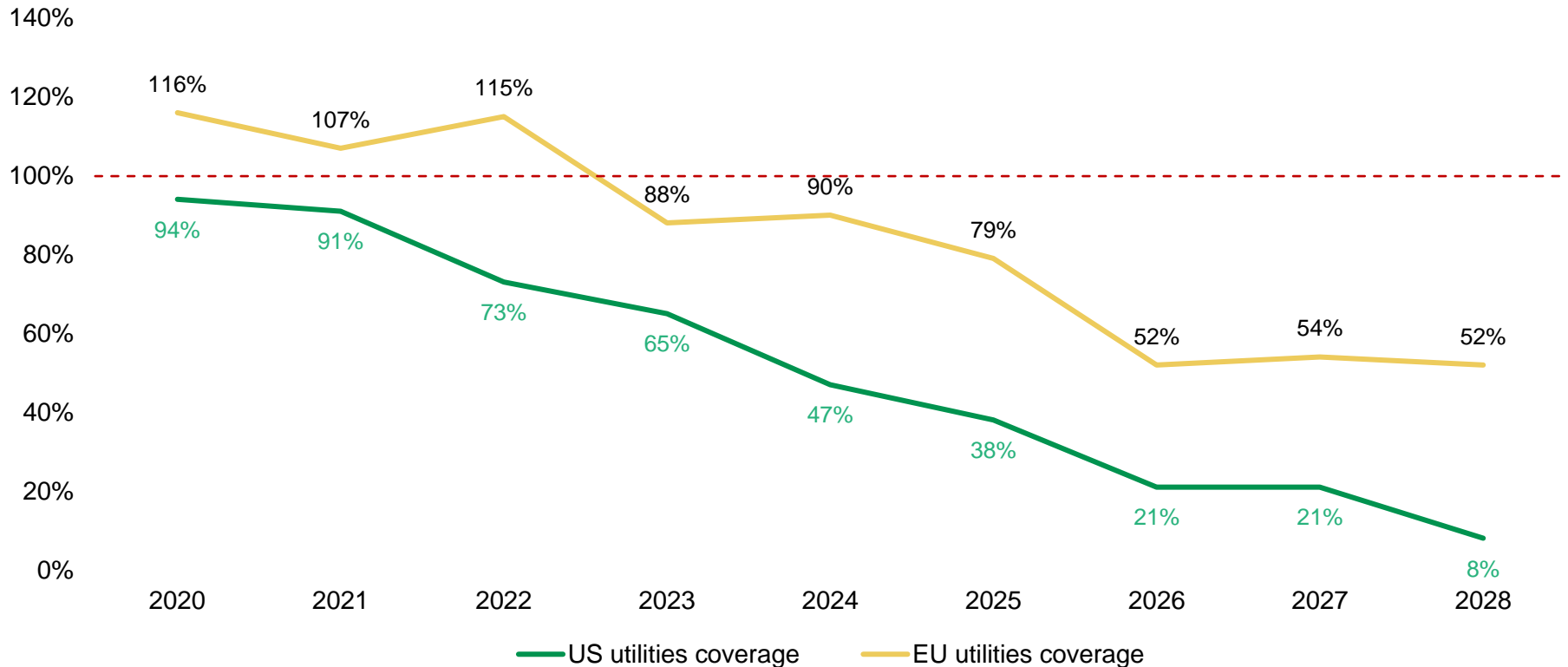
(1) World Nuclear Association, World Uranium Mining Production (August 2019)

(2) UxC LLC – “2019 U<sub>3</sub>O<sub>8</sub> Production Review”, May 2020

# 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

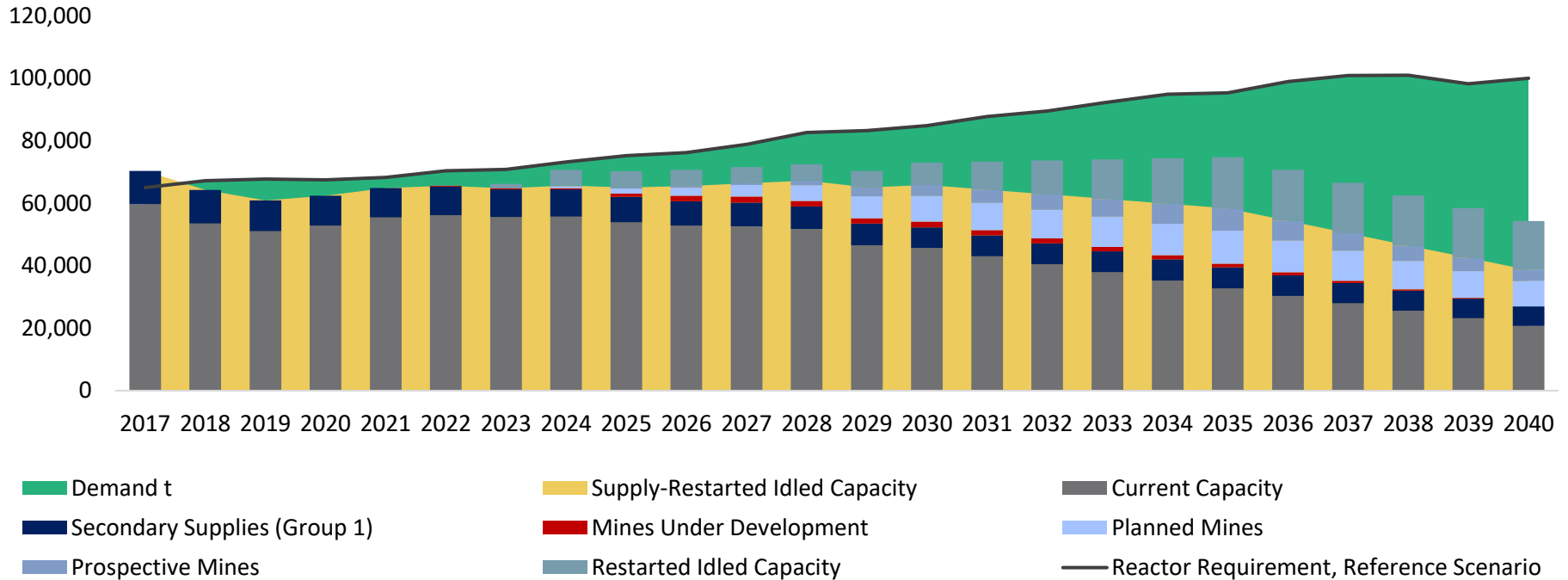
(1) US Energy Information Administration: 2019 Uranium Marketing Annual Report (May 2020)

(2) Euratom Supply Agency Annual Report 2019 (30 June 2020)

# 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 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

