

25 January 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 31 December 2020.

Highlights

- Value of U₃O₈ held by Yellow Cake was US\$279.5 million ⁽¹⁾ at 31 December 2020.
- Estimated net asset value at 31 December 2020 was £2.44 per share ⁽²⁾ or US\$280.5 million, comprising 9.32 million lbs of physical uranium (U₃O₈) valued at a spot price of US\$30.00/ lb ⁽³⁾ and other net assets.
- Yellow Cake’s estimated net asset value as at 22 January 2021 was £2.43 per share ⁽⁴⁾.
- Increase in value of U₃O₈ held by Yellow Cake over the quarter from US\$277.2 million ⁽⁵⁾ to US\$279.5 million ⁽¹⁾.
- Total increase in value of U₃O₈ held by Yellow Cake at 31 December 2020 of 38% to US\$279.5 million ⁽¹⁾ relative to the aggregate acquisition cost of US\$202.3 million.
- Total U₃O₈ holdings of 9.32 million lb acquired at an average cost of US\$21.71/ lb.
- On 3 November 2020, the Company announced the completion of a share buyback programme (the “Programme”) which resulted in the acquisition of a total of 4,156,385 of the Company’s shares for a total consideration of £8.8 million (US\$11.4 million) at a volume weighted average price of £2.13 per share and volume weighted average discount to net asset value of 21%.
- At the Programme’s inception in January 2020, the Company’s shares were trading at a material discount to its underlying net asset value. The Yellow Cake Board therefore took the decision to implement a share buyback programme as a means of effectively acquiring exposure to uranium at a discount to the commodity spot price and delivering value to its shareholders.
- As at close on 22 January 2021, the Company's share price was £2.20 per share, which represents a 10% discount to the above estimated net asset value of £2.43 per share on that date.

(1) Based on the month end spot price of US\$30.00/ lb published by UxC LLC on 28 December 2020.

(2) Net asset value per share on 31 December 2020 is calculated assuming 88,215,716 ordinary shares in issue less 4,156,385 shares held in treasury, the Bank of England’s daily USD/ GBP exchange rate of 1.3649 on 31 December 2020 and the month-end spot price published by UxC LLC on 28 December 2020.

(3) Month-end spot price published by UxC LLC on 28 December 2020.

(4) Yellow Cake’s estimated net asset value on 22 January 2021 was US\$279.5 million, consisting of 9,316,385 lbs of U₃O₈ valued at the Broker Average Price of US\$29.89/ lb published by UxC LLC on 22 January 2021, a derivative liability of US\$3.1 million and other net current assets of US\$4.2 million as at 31 December 2020. The estimated net asset value per share as at 22 January 2021 is calculated assuming 88,215,716 ordinary shares in issue less 4,156,385 shares held in treasury on that date and a USD / GBP exchange rate of 1.3681.

(5) Based on the month end spot price of US\$29.75/ lb published by UxC LLC on 28 September 2020.

Andre Liebenberg, CEO of Yellow Cake, said:

“We remain positive for the outlook of the uranium price, which we expect will present further opportunities to generate value for Yellow Cake shareholders. The uranium price remains too low to support existing production or to incentivise the ramp up of idle capacity, while there is also little appetite to begin new mine development at these price levels. Supply has been further constrained by the impact of Covid-19 on mining operations as Cameco’s decision to suspend Cigar Lake highlights. We also see a positive demand trend. The outlook for nuclear power is strong with reactor build programs progressing and more countries adopting carbon neutral goals and policies. As we set out in our Q3 update, nuclear is increasingly being recognised as a vital contributor to meeting carbon reduction targets. We expect to see greater buying activity in the first half, in particular as producers look to fulfil existing delivery commitments. This combination of supply constraints and demand growth gives us continued confidence in our business model and the investment case.”

Uranium Market Developments and Outlook

Uranium Market Developments

The U₃O₈ spot market price ended CY2020 at US\$30.00/ lb, a modest increase for the December quarter from US\$29.75/ lb at the end of September 2020, after declining to US\$29.45/ lb at the end of November 2020 (Ux Weekly, 4 January 2021). Spot market volumes decreased noticeably during the December quarter as UxC reported total transactions aggregating 14.7 million lb U₃O₈ which fell short of the same period in 2019 (21.0 million lb U₃O₈).

Spot market volumes for CY2020 reached a new record level of 92.2 million lb U₃O₈ in aggregate, eclipsing the previous high of 88.7 million lb U₃O₈ recorded in CY2018 (CY2019 total – 64.3 million lb U₃O₈). The Company is of the view that this was driven by enhanced purchasing activity by primary uranium producers that had reduced production or suspended their operations due to the Covid-19 pandemic and by market intermediaries.

Aggregate term contracting in CY2020 amounted to only around 53 million lb U₃O₈ (equivalent) which includes delivery/purchase commitments within the so-called carry trade/mid-term market (1-3 years forward), as well as the more traditional long-term contracting market (3-5 years or more). Term contracting levels in CY2020 were at unprecedented lows (95.8 million lb U₃O₈ (equivalent) in CY2019 and 90.5 million lb U₃O₈ (equivalent) in CY2018). However, UxC reported that “a number of quiet awards were made earlier in December”. Market sources, including UxC (Ux Weekly, 21 January 2021), indicate that nuclear utilities are beginning to focus on the long-term uranium market and expectations remain for long-term uranium contracting to increase during 2021 as utility fuel managers pursue forward uranium coverage.

As reported in the Company’s previous quarterly operating update, the U.S. Department of Commerce and the Russian Federation nuclear energy organization, ROSATOM, finalised the latest amendment to the Russian Suspension Agreement (RSA), thus removing one of the remaining trade issues that had caused uncertainty in the uranium market.

On 14 December 2020, Cameco Corporation announced that production at the Cigar Lake Mine (Northern Saskatchewan) would, once again, be temporarily suspending due to Covid-19 infections. The mine will be placed on care and maintenance status and “there will be a significant reduction in personnel.” As reported in their Q3 2020 results, Cameco had taken the decision to restart their Cigar Lake operations on 29 July, following a suspension of operations of approximately five months, and about 300 workers had returned to the site. Increased market purchases by Cameco are expected as the company announced, “due to the suspension, we plan to increase our purchases in the market to secure uranium we need to meet our sales commitments.”

On 7 December 2020, the Emirates Nuclear Energy Corporation (ENEC) announced that Barakah unit 1 had reached full power and commercial operations can be expected in the first half of 2021. ENEC is developing the

Barakah site (Al Dhafra region of Abu Dhabi) with four Korean-designed APR-1400 reactors. Barakah unit 2 was completed in July 2020 and units 3 and 4 are now 93% and 87% complete, respectively.

Japan released its “Green Growth Strategy” on 25 December 2020. The national plan aims to replace new gasoline-powered vehicles with electric cars by the mid-2030s in its effort to become carbon neutral by 2050. Japan’s electricity demand is forecast to increase by 30-50% by 2050 with renewable sources providing 50-60% of the country’s power supply by mid-century compared to the current 18%. Offshore wind farms are targeted to provide 30-45 Gwe by 2040. Power plants using hydrogen and ammonia would account for 10% of the future electricity supply. The government plans to “maximize” the utilization of nuclear power which along with thermal power plants outfitted with carbon capture technology providing the remaining 30-40%.

The government of South Korea finalized its ninth national power supply plan on 28 December 2020. The energy plan further clarifies its electricity generation future calling for 50% of the nation’s coal-fired power plants to be shut within 15 years while 11 of the country’s 24 operating nuclear reactors (scheduled to expand to 26 units by 2024) would be retired at the end of their licensed service lives, leaving 17 operating reactors in 2034 (installed nuclear generating capacity would decrease from 23.3 Gwe down to 19.4 Gwe, a reduction of 17%).

In its Energy White Paper (Powering our Net Zero Future) of 12 December 2020, the United Kingdom government sets forth a variety of policies and measures to attain a net zero economy to combat climate change. Calling nuclear power “an important source of reliable clean electricity”, which currently supplies around 16 percent of the country’s electricity needs, the government plan states that nuclear power is “an energy-dense technology which provides large volumes of power from very little land area and can reduce system costs at low levels of emissions.” Recognizing that much of the current commercial nuclear fleet will be retiring over the next decade and that the Hinkley Point C project (3,260 Mwe) is due to be commissioned in the mid-2020s, the government plans to bring at least one large-scale nuclear project to the point of Final Investment Decision (FID) by the end of the current Parliament, “subject to clear value for money and all relevant approvals.” The UK government also aims to provide up to GBP385 million in an Advanced Nuclear Fund for the next generation of nuclear technology including a Small Modular Reactor (SMR) design and construction of a demonstration Advanced Modular Reactor (AMR).

Following the quarter end, in a 12 January press release, the Prime Minister of Kazakhstan, Nurlan Nogayev, announced that 2020 uranium production totalled 50.7 million lb U₃O₈, a decrease of 8.6 million lb U₃O₈ (14.5%) compared to 2019 output as the country deals with Covid-19 issues as well as implementing its formal uranium production reduction programme in response to persistent low uranium prices.

On 21 January 2021, JSC National Atomic Company “Kazatomprom” announced that several positive cases of Covid-19 had been identified at KATCO LLC, a joint venture between Kazatomprom and Orano, operating in Kazakhstan. At this stage, no significant impact on drilling or planned 2021 production is expected.

Uranium Market Outlook

The global spot uranium market remained quiet entering the first quarter of 2021. A minimal number of transactions have been reported as market participants return to work following the holiday period. As UxC observes in its 11 January 2021 Weekly, “Since December 18, overall spot U₃O₈ demand interest has been very restrained. The notable lack of demand has continued over the first full week of 2021 with almost no activity reported in any component form.”

However, as the market moves further into the first calendar quarter of 2021, market demand is expected to arise from all principal buyer categories; nuclear utilities, uranium producers and traders/intermediaries. Market sentiment at the beginning of the year strongly suggest that emerging price pressure will be biased towards the upside especially when large uranium producers such as Cameco enter the market to procure material to fulfil existing multi-year delivery commitments following the second shut-down of the Cigar Lake Mine in Northern Saskatchewan.

Another market factor which has been absent during 2019-2020, buying of the physical commodity by financial entities, may once again exert itself as investment firms look to diversify their uranium-related holdings beyond investment in corporate equities.

Net Asset Value

Yellow Cake's estimated net asset value on 31 December 2020 was £2.44 per share or US\$280.5 million, consisting of 9,316,385 lbs of U₃O₈ valued at a spot price of US\$30.00/lb⁽⁶⁾, a derivative liability of US\$3.1 million⁽⁷⁾ and other net current assets of US\$4.2 million⁽⁸⁾.

Yellow Cake Net Asset Value as at 31 December 2020			
		Units	
Investment in Uranium			
Uranium oxide in concentrates ("U ₃ O ₈ ")	(A)	lbs	9,316,385
U ₃ O ₈ fair value per pound ⁽⁶⁾	(B)	US\$/lb	30.00
U ₃ O ₈ fair value	(A) x (B) = (C)	US\$ m	279.5
Derivative financial liability ⁽⁷⁾	(D)	US\$ m	(3.1)
Cash and other net current assets/(liabilities) ⁽⁸⁾	(E)	US\$ m	4.2
Net asset value in US\$ m	(C) + (D) + (E) = (F)	US\$ m	280.5
Exchange Rate ⁽⁹⁾	(G)	USD/GBP	1.3649
Net asset value in £ m	(F) / (G) = (H)	£ m	205.5
Number of shares in issue less shares held in treasury ⁽¹⁰⁾	(I)		84,059,331
Net asset value per share	(H) / (I)	£/share	2.44

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(6) Month-end spot price published by UxC LLC on 28 December 2020.

(7) Estimated current value, as at 30 September 2020, 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 U₃O₈ price exceeds US\$37.50/lb for a period of 14 days during the period between 4 July 2021 and 30 June 2027.

(8) As at 31 December 2020. Includes cash and cash equivalents of US\$4.6 million.

(9) Bank of England's daily USD/ GBP exchange rate of 1.3649 on 31 December 2020.

(10) Net asset value per share on 31 December 2020 is calculated assuming 88,215,716 ordinary shares in issue less 4,156,385 shares held in treasury on that date.

This announcement contains inside information for the purposes of Article 7 of Regulation (EU) no 596/2014

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ABOUT YELLOW CAKE

Yellow Cake is a London-listed 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 (“U₃O₈”). 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 U₃O₈ 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 U₃O₈ with Kazatomprom, the world’s largest uranium producer. Yellow Cake currently holds 9.32 million pounds of U₃O₈, 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 U₃O₈, 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.