

29 July 2020



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 2020.

Highlights

- Value of U_3O_8 held by Yellow Cake increased over the quarter from US\$263.5 million⁽¹⁾ to US\$303.7 million⁽²⁾.
- Estimated net asset value at 30 June 2020 was £2.92 per share⁽³⁾ or US\$315.7 million, comprising 9.32 million lbs of physical uranium (U_3O_8) valued at a spot price of US\$32.60/ lb⁽⁴⁾ and other net assets.
- Yellow Cake's estimated net asset value as at 28 July 2020 was £2.77 per share⁽⁵⁾.
- Total increase in value of U_3O_8 held by Yellow Cake at quarter end of 50% to US\$303.7 million⁽²⁾ relative to the aggregate acquisition cost of US\$202.3 million.
- On 30 June 2020, the Company announced its intention to conduct an enlarged share buyback programme commencing on 8 July 2020, to purchase up to US\$10 million of the Company's shares. The buyback programme is being largely financed by the disposal of 300,000 lbs of U_3O_8 , which completed on 30 June 2020, at a price of US\$33.20/ lb, realising a gain of US\$3.7 million and raising net proceeds of US\$9.9 million which were received on 7 July 2020.
- Remaining total U_3O_8 holdings of 9.32 million lbs acquired at an average cost of US\$21.71/ lb.
- On 24 July 2020, Yellow Cake concluded a location swap agreement in terms of which it will exchange a volume of U_3O_8 located at Cameco's storage facility in Canada for an equal volume of U_3O_8 located at Orano's storage facility in France for a period of six months. The location swap will be reversed in January 2021 when Yellow Cake will again receive the same volume of uranium in Canada in exchange for uranium held in France. In consideration, Yellow Cake will receive proceeds of US\$1.0 million, net of costs and commissions.

(1) Based on the month end spot price of US\$27.40/ lb published by UxC LLC on 30 March 2020.

(2) Based on the month end spot price of US\$32.60/ lb published by UxC LLC on 29 June 2020.

(3) Net asset value per share on 30 June 2020 is calculated assuming 88,215,716 ordinary shares in issue less 611,806 shares held in treasury, the Bank of England's daily USD/ GBP exchange rate of 1.2359 on 30 June 2020 and the month-end spot price published by UxC LLC on 29 June 2020.

(4) Month-end spot price published by UxC LLC on 29 June 2020.

(5) Yellow Cake's estimated net asset value on 28 July 2020 was US\$311.9 million, consisting of 9,316,385 lbs of U_3O_8 valued at the weekly price of US\$32.20/ lb published by UxC LLC on 27 July 2020, a derivative liability of US\$2.6 million and other net current assets of US\$14.5 million as at 30 June 2020. The estimated net asset value per share as at 28 July 2020 is calculated assuming 88,215,716 ordinary shares in issue less 1,386,806 shares held in treasury on that date and a USD / GBP exchange rate of 1.2949.

- As at close on 28 July 2020, the Company's share price was £2.30 per share, which represents a 17% discount to the above estimated net asset value of £2.77 per share on that date.

Andre Liebenberg, CEO of Yellow Cake, said:

“Continued supply curtailments combined with the additional impact of Covid-related production cutbacks have resulted in the uranium price rising 30% in the year to date. The supply/demand risk imbalance is in line with our investment thesis and we continue to see more risk to the supply side than the demand side.

We are taking decisive action to address the persistent discount to NAV with a significant US\$10 million buyback programme. This enables us to gain additional exposure to uranium at well under the current spot price. The innovative location swap we have agreed also highlights how we will continue to pursue all opportunities to offset our cost base and create value.

We remain positive about the longer term outlook for the uranium price. Our focus remains on maintaining a low cost base, actively managing our inventory to generate shareholder value, and on delivering the next phase of our supply arrangement with Kazatomprom.”

Uranium Market Developments and Outlook

Uranium Market Developments

The global uranium spot market price continued to improve into the 2nd quarter of 2020. Driven by record-level transactional volume (discussed below), the spot market price finished at \$27.40/lb at the end of March. Prices rose to US\$34.00/lb U₃O₈ by the end of May, representing an increase of 36% since the beginning of the year. However, prices moderated somewhat during June settling back to US\$32.60/lb U₃O₈ by the end of the quarter.

Total spot market volumes reached 11.2 million lbs of U₃O₈ during March but then accelerated in April to 24.8 million lbs of U₃O₈ as intermediaries/traders, uranium producers and utilities all contributed to the purchasing profile. Transactions declined noticeably during May falling to a more normal 5.1 million lbs of U₃O₈ before rising, once again, to 8.0 million lbs of U₃O₈ in June. Aggregate spot market volumes approached 40 million lbs of U₃O₈ for the second quarter, which is a record level.

Reductions in primary uranium production continue to underpin the spot market trends in both price and volume. The world's largest uranium producer, Kazatomprom, instituted an initial three month cut-back in operations commencing in early April (removing 10.4 million lbs of U₃O₈ from their planned 2020 output). On 6 July, Kazatomprom announced a one month extension to the operational reductions and that they anticipate that mine staff levels will gradually begin to increase in early August. However, Kazatomprom stated that they did not expect additional production losses for the year.

On 23 March, the world's second largest uranium producer, Cameco Corporation, announced the temporary suspension of operations at its Cigar Lake uranium mine in the Athabasca Basin of Northern Saskatchewan (which produces approximately 18 million lbs of U₃O₈/year). Cameco extended that shut-down for an indeterminate period commencing 13 April, which will necessitate ongoing spot market procurement by Cameco in order to satisfy existing contractual deliveries.

Based on announced reductions in operations by Kazatomprom, Cameco as well as other primary uranium producers worldwide, global uranium production during 2020 which had been forecast to approximate

142 million lbs of U₃O₈ appears likely to decline by 15% to 121 million lbs of U₃O₈⁶. This is absent any further reductions during the second half of 2020.

In the United States, the long-awaited report of the Nuclear Fuel Working Group was released on 23 April. Entitled “Restoring America’s Competitive Nuclear Energy Advantage – A strategy to assure U.S. national security,” amongst a broad spectrum of proposed strategies/programmes to revive the domestic nuclear power industry, the report calls for the establishment of a national uranium reserve created through the direct purchase of domestically-produced uranium. A total of US\$150 million was included in the proposed President’s Budget for FY2021 (commencing 1 October 2020) with a similar budgetary item for a ten year forward timeline. An estimated 17 – 19 million lbs of U₃O₈ could be procured under the proposed program. However, timing of the near-term program was thrown into doubt when the House Appropriations Committee failed to include the US\$150 million budget request in its budget report but instead requested that, within 180 days, the U.S. Department of Energy submit a plan for the proposed establishment of a uranium reserve. This would clearly delay any implementation of the program to revitalize the domestic uranium mining and milling sector.

The Russian Suspension Agreement (RSA) remains under negotiation in the U.S., involving the U.S. Department of Commerce (USDOC), nuclear utilities and representatives of the Russian government. While the amended agreement is scheduled to expire on 31 December 2020, thus removing the current 20% annual limit to Russian sales into the U.S., the U.S. Administration and members of Congress are calling for increased trade restrictions. The current focus on the RSA negotiations by nuclear fuel procurement groups is one factor that is limiting the pursuit of long-term nuclear fuel contracts, especially for natural uranium.

During the quarter, updated data was made available by both the U.S. Energy Information Administration (“2019 Uranium Marketing Annual Report” – May 2020) as well as the Euratom Supply Agency (“Euratom Supply Agency Annual report 2019” – 30 June) for their respective commercial nuclear power fleets’ fuel procurement and future requirements. Forward uranium coverage remains high in the EU, exceeding 100% through 2022 before declining to around 90% in 2023-2024. However, forward coverage drops to around 50% beginning in 2026. The need to contract for future uranium deliveries remains high in the U.S. with percent coverage at 65% or greater through 2023 but then declining rapidly to 47% in 2024 and 38% in 2025. Overall, the U.S. nuclear utilities still need to commit for more than 205 million lbs of U₃O₈ to meet anticipated needs through 2029.

Uranium Market Outlook

Demand

In its “Global Energy Review – 2020,” released in April, the International Energy Agency (IEA) estimated that global nuclear power generation in 2020 would decline by 2.5% compared to 2019. The principal contributing factors include reduced electricity demand, delays in planned reactor maintenance and incremental delays in construction of new reactors. The European Union could experience a reduction in nuclear generation of approximately 8% (including non-demand factors such as the planned phase-out of nuclear power in Germany) while nuclear generation in the United States is expected to decline by 2.0% as compared to China, where the operation of new reactors would result in nuclear power increasing by 1% versus 2019.

The U.S. Department of Energy released its most recent “Short Term Energy Outlook” in July which concludes that aggregate U.S. electricity consumption will fall by 4.2% in 2020 compared to 2019, with nuclear generation declining by only 2.0%, mainly as a result of reactor retirements in 2019 and planned reactor retirements by the end of 2020.

(6) UxC LLC, Second Quarter 2020 Market Update, June 2020

Uranium Supply

As discussed earlier, global uranium production is now anticipated to significantly decline in 2020 by 15% compared to 2019 and the comparable forecasted 2020 operational level (around 140 million lbs of U₃O₈/year). While Kazatomprom has stated that it plans to satisfy its contractual deliveries utilising existing inventories, further extension of operational reductions could change that plan and possibly result in open market purchases. Cameco has publicly stated that market purchases are a primary component of the company's delivery coverage strategy, thus directly impacting the spot market.

Outlook

In its "Second Quarter 2020 Market Update" published 15 June, UxC observed that *"With more than 41 million pounds U₃O₈ transacted in the spot market over the March-May period, easily accessible, mobile inventories have declined significantly, and remaining inventories are now generally being offered at higher price levels than just a few months ago."*

Entering into the third quarter, uranium spot prices declined marginally as volumes retreated from the exceptionally high levels experienced in the March-April period. As reactor maintenance and reactor refuelling is completed, nuclear fuel procurement activities, both spot and term, can be expected to increase during the second half of 2020.

Furthermore, Yellow Cake believes that spot buying by primary uranium producers as well as by intermediaries/traders and, possibly, financial buyers is likely to increase transactional activity leading to further price strengthening, especially in the event that primary production remains impacted by Covid-19.

Net Asset Value

Yellow Cake's estimated net asset value on 30 June 2020 was £2.92 per share ⁽⁷⁾ or US\$315.7 million, consisting of 9,316,385 lbs of U₃O₈ valued at a spot price of US\$32.60/ lb ⁽⁸⁾, a derivative liability of US\$2.6 million ⁽⁹⁾, other net assets of US\$4.6 million ⁽¹⁰⁾ and a receivable of US\$9.9 million following the sale of 300,000 lbs of U₃O₈ as at 30 June 2020.

Yellow Cake's estimated net asset value as at 28 July 2020 was £2.77 per share ⁽¹¹⁾ or US\$311.9 million, consisting of 9,316,385 lbs of U₃O₈ valued at the weekly price of US\$32.20/ lb published by UxC LLC on 27 July 2020, a derivative liability of US\$2.6 million and other net current assets of US\$14.5 million as at 30 June 2020.

As at close on 28 July 2020, the Company's share price was £2.30 per share, which represents a 17% discount to the above estimated net asset value of £2.77 per share.

(7) Net asset value per share on 30 June 2020 is calculated assuming 88,215,716 ordinary shares in issue less 611,806 shares held in treasury and the Bank of England's daily USD/ GBP exchange rate of 1.2359 on 30 June 2020.

(8) Month-end spot price published by UxC LLC on 29 June 2020.

(9) Estimated current value 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.

(10) Includes cash and cash equivalents of US\$5.0 million.

(11) The estimated net asset value per share as at 28 July 2020 is calculated assuming 88,215,716 ordinary shares in issue less 1,386,806 shares held in treasury on that date and a USD / GBP exchange rate of 1.2949.

Share Buyback Programme

On 22 January 2020, the Company initiated a share buyback programme to purchase up to US\$2 million of the Company's Ordinary Shares. The Yellow Cake Board took the decision to implement the 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 30 June 2020, the Company had purchased 611,806 shares (held in treasury) at a volume weighted average price of £1.96 per share.

On 30 June 2020, the Board took the decision to enlarge the buyback programme and purchase up to US\$10 million of the Company's Ordinary Shares over three months, commencing on 8 July 2020.

To date, the company has acquired 1,386,806 shares for a total consideration of £3.0 million (US\$3.7 million) at a volume weighted average price of £2.13 per share and volume weighted average discount to net asset value of 21%.

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 lbs 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.