

2 February 2023



Yellow Cake plc (“Yellow Cake” or the “Company”)

## QUARTERLY OPERATING UPDATE

Yellow Cake, a specialist company operating in the uranium sector holding physical uranium for the long term, is pleased to report its performance for the quarter ended 31 December 2022 (the “Quarter”).

### Highlights

#### Market Highlights

- The uranium spot price decreased from US\$48.25/lb<sup>1</sup> on 30 September 2022 to US\$48.00/lb<sup>2</sup> on 31 December 2022. Total spot market volume during the Quarter represented about 50% of the level during the comparable period in 2021.
- The uranium spot price has begun to show strengthening in January breaking through US\$50.00/lb. The spot price trend through the next quarter is expected to continue to be dictated by global economic conditions as well as investor confidence in the emerging role of nuclear power as a clean energy source.
- Term contracting is expected to continue at levels above those experienced in the post-Fukushima era as nuclear utilities strive to diversify sources in order to reduce future dependence on nuclear fuel supplies from Russia and support Western fuel supply sources. Increased uranium term prices can be anticipated as term contract demand rises.

#### Company Highlights

- Estimated net asset value as at 31 December 2022 of £4.15 per share<sup>3</sup> or US\$914.8 million, comprising 18.81 million lb of U<sub>3</sub>O<sub>8</sub> valued at a spot price of US\$48.00/lb<sup>2</sup> and cash and other current assets and liabilities of US\$12.2 million.
- Decrease in the spot price over the Quarter of 0.5% from US\$48.25/lb<sup>4</sup> to US\$48.00/lb<sup>2</sup>, resulting in a corresponding decrease in the value of U<sub>3</sub>O<sub>8</sub> held by Yellow Cake over the Quarter from US\$907.4 million<sup>5</sup> as at 30 September 2022 to US\$902.7 million as at 31 December 2022<sup>6</sup>.
- Decrease in estimated net asset value per share over the Quarter of 8% from £4.50 per share<sup>7</sup> as at 30 September 2022 to £4.15 per share<sup>3</sup> as at 31 December 2022, as a result of the decrease in the uranium price and appreciation of Sterling over the Quarter.

1 Daily spot price published by UxC, LLC on 30 September 2022.

2 Daily spot price published by UxC, LLC on 31 December 2022.

3 Estimated net asset value per share as at 31 December 2022 is calculated assuming 187,740,730 ordinary shares in issue less 4,636,331 shares held in treasury, the Bank of England's daily USD/ GBP exchange rate of 1.2039 and the daily spot price published by UxC, LLC on 31 December 2022.

4 Daily spot price published by UxC, LLC on 30 September 2022.

5 Based on the daily spot price of US\$48.25/lb published by UxC, LLC on 30 September 2022 and 18,805,601 lb U<sub>3</sub>O<sub>8</sub> held by the Company as at 30 September 2022.

6 Based on the daily spot price of US\$48.00/lb published by UxC, LLC on 31 December 2022 and 18,805,601 lb U<sub>3</sub>O<sub>8</sub> held by the Company as at 31 December 2022.

7 Estimated net asset value per share as at 30 September 2022 is calculated assuming 187,740,730 ordinary shares in issue less 4,636,331 shares held in treasury, the Bank of England's daily USD/ GBP exchange rate of 1.1170 and the daily spot price published by UxC, LLC on 30 September 2022.

- Yellow Cake's estimated net asset value on 1 February 2023 was £4.27 per share or US\$966.5 million, assuming 18.81 million lb of U<sub>3</sub>O<sub>8</sub> valued at a spot price of US\$50.75/lb<sup>8</sup> and cash and other current assets and liabilities<sup>9</sup>.
- Yellow Cake's operations, financial condition and ability to purchase and take delivery of U<sub>3</sub>O<sub>8</sub> from Kazatomprom, or any other party, remain unaffected by the geopolitical events in Ukraine. All U<sub>3</sub>O<sub>8</sub> to which the Company has title and has paid for, is held at the Cameco storage facility in Canada and the Orano storage facility in France.

**Andre Liebenberg, CEO of Yellow Cake, said:**

“The outlook for uranium remains positive and the long term investment case remains compelling. This confidence is based on the on-going supply demand fundamentals which will continue to put upwards pressure on the uranium price, as well as the growing acceptance of the role nuclear power will have in the future energy mix. Perhaps more importantly we are seeing a new emerging theme in the uranium sector. We expect to see utilities look to diversify their sources in order to reduce future dependence on nuclear fuel supplies from Russia and support Western fuel supply sources. These new long-term contracts at higher price levels will be required to support new production and project expansions throughout the fuel cycle. Overall, this presents another strong rationale for the long term holding of uranium.”

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<sup>8</sup> Daily spot price published by UxC, LLC on 1 February 2023.

<sup>9</sup> Estimated net asset value per share as at 1 February 2023 is calculated assuming 187,740,730 ordinary shares in issue, less 4,636,331 shares held in treasury, a USD/ GBP exchange rate of 12360 and the daily spot price published by UxC, LLC on 1 February 2023 and cash and other current assets and liabilities of US\$12.2 million as at 31 December 2022.

## Uranium Market Developments and Outlook

### Global Uranium Market

The uranium spot price decreased from US\$48.25/lb<sup>10</sup> on 30 September 2022 to US\$48.00/lb<sup>11</sup> on 31 December 2022. During the Quarter, the price strengthened in response to monthly spot market volumes of 5.6 Mlb reaching US\$52.30/lb<sup>12</sup> at the end of October 2022.<sup>13</sup> However, the spot price retreated during the rest of the Quarter, reaching US\$49.50/lb at the end of November and US\$48.00 by the end of December, as spot market volumes declined noticeably (4.2 Mlb in November<sup>14</sup> and only 3.2 Mlb during December<sup>15</sup>). Total spot market volume during the Quarter represented about 50% of the level during the comparable period in 2021.

A major contributing factor to the decline in spot market activity was the significantly reduced purchasing by the Sprott Physical Uranium Trust (“SPUT”). SPUT reported acquiring 12.1 Mlb during 4Q2021 but bought only 700,000 lb during the last quarter of CY2022 reflective of the trust’s units trading at a discount to NAV for 80% of the 2022 trading days.<sup>16</sup>

Contracting activity in the long-term market rose substantially during 2022 as nuclear utilities refocused on security of supply and deliverability. UxC reported that total 2022 volumes contracted in the long-term uranium market reached 114 Mlb<sup>15</sup> as compared to 72 Mlb in 2021. Recently, a Cameco senior executive stated that the company had secured aggregate future deliveries totalling 77 Mlb during 2022.<sup>17</sup>

Long-term uranium price indicators responded to that contracting volume throughout 2022 with incremental improvement during the Quarter. The Ux 3-yr Forward price rose from US\$54.50/lb (end of September) to US\$56.50/lb at the end of the year and the 5-yr Forward price increased from US\$58.25/lb to US\$60.00/lb. The Ux Long-Term Price reported at US\$49.00/lb at the end of the third quarter and then strengthened to US\$51.00/lb at the end of December.

The U.S. Department of Energy / National Nuclear Security Administration (“NNSA”) announced the awarding of uranium purchase agreements with several U.S. uranium production companies; EnCore Energy, Energy Fuels, Peninsula Energy, Ur-Energy and Uranium Energy. The NNSA committed to purchase an estimated total of 1.1 million lb U<sub>3</sub>O<sub>8</sub> to be supplied by the domestic uranium sources at prices ranging from US\$59.50/lb (Uranium Energy) up to US\$70.50/lb (EnCore Energy). The Request For Proposals stipulated that the offered material must have been produced at a domestic uranium recovery facility since 1 January 2009 and must be from inventory already in storage in the USA.”<sup>18</sup>

### Nuclear Generation / Uranium Demand

Sweden’s newly-elected centre-right coalition government has adopted pro-nuclear energy policies including the possible restart of Ringhals Units 1 and 2 (closed at the end of 2020 and 2019, respectively) as well as preparing for the construction of new reactors. The government has changed its energy policy goal from “100% renewable” to “100% fossil-free.” The country has shifted from a total nuclear phase-out policy (1980 / repealed 2010) to allowing certain reactors to operate for defined periods (1997).<sup>19</sup>

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10 Daily spot price published by UxC, LLC on 30 September 2022.

11 Daily spot price published by UxC, LLC on 31 December 2022.

12 Daily spot price published by UxC, LLC on 31 October 2022.

13 Ux Weekly vol 36 no 34, 31 October 2022.

14 Ux Weekly vol 36 no 49, 5 December 2022.

15 Ux Weekly vol 37 no 01, 2 January 2022.

16 Sprott.com; “Daily and Cumulative Pounds of Uranium (U3O8) Acquired by Trust”.

17 Grant Isaac, Senior Vice-President and CFO, Cameco Corporation, 26th CIBC Western Institutional Investor Conference-2023; 18 January 2023.

18 Source: World Nuclear News; “US uranium producers announce contracts and production ramp-ups”; 20 December 2022.

19 World Nuclear News; “New Swedish government seeks expansion of nuclear energy”; 17 October 2022.

Poland announced (28 October) that the government had selected Westinghouse Electric to build their initial nuclear power plant. The Polish government has been seeking partners to develop 6-9 Gwe of nuclear capacity by the early 2040s and may ultimately order a total of six Westinghouse AP-1000 reactors.<sup>20</sup>

Turkish President, Recep Erdogan, reported during a live broadcast (8 November) that Turkey's commercial nuclear program continues to progress with the first unit at Akkuyu to enter commercial operation in late 2023 or early 2024 with an additional three reactors to follow. Talks with Rosatom regarding the Sinop NPP continue and that another NPP is under consideration at an alternative site.<sup>21</sup>

Subsequently, the Turkish government announced on 22 December that the initial reactor located at the Akkuyu NPP would, in fact, enter commercial operation at the end of 2023 and that additional nuclear power projects would be necessary over the next 10 to 20 years. The Akkuyu NPP is being constructed in the southern province of Mersin by Rosatom and consists of four VVER-1200/V-509 reactors, all of which are in various stages of construction. Additional identified sites include Sinop (Black Sea) and Iğneada (Kırklareli Province; Black Sea).<sup>22</sup>

The lower house of the Dutch Parliament, the Tweede Kamer, adopted a proposal to pursue the construction of two nuclear power reactors which the Dutch Cabinet hopes to be in operation by 2035. Currently, the country operates a single NPP (482 Mwe) which entered commercial operation in 1973, located at Borssele, the likely site for expansion.<sup>23</sup>

A new nuclear power plant to be built at Sizewell C in Suffolk has been approved by the United Kingdom government. The UK government has pledged to invest GBP700 million in the project (50% stakeholder) which also includes Electricite de France as well as committing to advancing additional nuclear power projects as incorporated in the proposed Energy Bill. Great British Nuclear is being established to oversee nuclear new builds.<sup>24</sup>

The Japanese government adopted an energy strategy which maximizes the utilization of existing nuclear reactors by implementing a more comprehensive restart program as well as prolonging operating lifetimes of eligible reactors beyond the current 60-year timeframe. Furthermore, the government will develop advanced reactors to replace those older units planned for decommissioning. Under regulations approved in 2013, reactor operating licenses could be extended from 40 years up to as much as 60 years. Under the recent draft amendment released by the Nuclear Regulation Authority, reactor operators with units in operation more than 30 years must formulate a long-term reactor management plan and secure regulatory approval at least once every ten years for continued operations.<sup>25</sup>

The Indian Government presented that government's road map to attain net-zero carbon emissions by 2070 at the recent UN Convention on Climate Change. The national plan calls for a focus on renewable energy sources including solar, wind and hydro power supplemented by a "three-fold rise in nuclear installed capacity by 2032."<sup>26</sup>

### Uranium Supply

Kazatomprom reported that Kazakh uranium production for the January-September period totalled 40.2 million lb, a decrease of 3% from the comparable period of 2021, principally due to the impact of Covid-19 on wellfield development in 2021 as well as supply chain disruptions resulting in a shortage of certain production materials, such as reagents and piping. The company anticipated that aggregate uranium output for 2022 would reach 54.6-57.2 million lb, while its production forecast for 2023 was subsequently lowered. Furthermore,

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20 *Power Technology*; "Westinghouse Electric to build nuclear power plant in Poland"; 31 October 2022.

21 *Nuclear Engineering International*; "Turkey considers contraction of third NPP"; 8 November 2022.

22 *Hurriyet Daily News*; "Turkiye aims for more nuclear power: Minister"; 22 December 2022.

23 *NL Times*; "Gov't wants to open two nuclear plants by 2035, likely in Borssele"; 30 November 2022.

24 *United Kingdom Government Press Release*; "UK government takes major steps forward to secure Britain's energy independence"; 29 November 2022.

25 *World Nuclear News*; "Japan adopts plan to maximize use of nuclear energy"; 23 December 2022.

26 *Ministry of Environment, Forest and Climate Change – Government of India*; "India's Long-Term Low-Carbon Development Strategy"; 14 November 2022.

Kazatomprom reported that “during the third quarter, several transactions to purchase material in the spot market were carried out.”<sup>27</sup>

Kazatomprom successfully completed a delivery of natural uranium concentrates utilising the “Trans-Caspian International Transport Route (TITR)” which has proven to be a viable alternative to the company’s primary shipment routing via the Port of St. Petersburg. Kazakh-owned uranium and Cameco material from Inkai were loaded on a chartered vessel at the Port of Poti (Georgian seaport on the Black Sea) and then transported to Canada.<sup>28</sup>

During the Quarter, Cameco reported the first packaged uranium from McArthur River/Key Lake following the February 2022 announcement that the production complex would be restarted after a four year shutdown.<sup>29</sup>

Cameco held its Third Quarter 2022 investor conference call on 27 October 2022 reporting the McArthur River/Key Lake restart is expected to yield 2 million lb this year and attain 15 million lb in 2024. During the third quarter of 2022, 2 million lb were produced at Cigar Lake while the company purchased a further 4.6 million lb. Regarding year-to-date long-term uranium contracting, Cameco reported that the company has “added to our long-term contract portfolio more than 50 million pounds in our uranium segment” while, in addition, “we have advanced contracting discussions for about 27 million pounds of long-term uranium business.”<sup>30</sup>

### Nuclear Power Forecasts

The latest World Energy Outlook assessment, published 27 October 2022, by the International Energy Agency (IEA), underscores the crucial role which nuclear power must assume over the next three decades. Nuclear power increases under all three of the IEA government policy-related scenarios (Stated Policies Scenario; Announced Pledges Scenario, and; Net Zero Emissions by 2050 Scenario). The report observes that “As markets rebalance, renewables, supported by nuclear power, see sustained gains.” Under the Net Zero Emissions by 2050 Scenario, an average of 24 Gwe/year must be added over the 2022-2050 period, more than doubling current nuclear capacity (compounded average annual growth rate = 2.6 percent).<sup>31</sup>

### Market Outlook

The spot price trend through the next quarter is expected to continue to be dictated by global economic conditions as well as investor confidence in the emerging role of nuclear power vis-à-vis climate change. The uranium spot price has begun to show strengthening in January breaking through US\$50.00/lb.

Importantly, term contracting is expected to continue at levels above those experienced in the post-Fukushima era as nuclear utilities strive to diversify sources to reduce future dependence on nuclear fuel supplies from Russia and support Western fuel supply sources. Increased uranium term prices can be anticipated as term contract demand rises.

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27 Kazatomprom Press Release; “Kazatomprom 3Q2022 Operations and Trading Update”; 26 October 2022.

28 Kazatomprom Press Release; “Kazatomprom Announces Trans-Caspian Delivery”; 20 December 2022.

29 Cameco Corporation Press Release; “Cameco Produces First Packaged Pounds Following McArthur river/Key Lake Restart”; 9 November 2022.

30 Cameco Corporation; “Management Discussion and Analysis for the quarter ended September 30, 2022”; 27 October 2022.

31 International Energy Agency; “World Energy Outlook 2022”; 27 October 2022.

## Net Asset Value

Yellow Cake's estimated net asset value on 31 December 2022 was £4.15 per share or US\$914.8 million, consisting of 18.81 million lb of U<sub>3</sub>O<sub>8</sub>, valued at a spot price of US\$48.00/lb<sup>32</sup> and cash and other current assets and liabilities of US\$12.2 million.<sup>33</sup>

| Yellow Cake Estimated Net Asset Value as at 31 December 2022           |                 |                |              |
|--|-----------------|----------------|--------------|
|  |                 | Units          |              |
| Investment in Uranium  |                 |                |              |
| Uranium oxide in concentrates ("U <sub>3</sub> O <sub>8</sub> ")       | (A)             | lb             | 18,805,601   |
| U <sub>3</sub> O <sub>8</sub> fair value per pound <sup>(32)</sup>     | (B)             | US\$/lb        | 48.00        |
| U <sub>3</sub> O <sub>8</sub> fair value                               | (A) x (B) = (C) | US\$ m         | 902.7        |
| Cash and other net current assets/(liabilities) <sup>(33)</sup>        | (D)             | US\$ m         | 12.2         |
| <b>Net asset value in US\$ m</b>                                       | (C) + (D) = (E) | <b>US\$ m</b>  | <b>914.8</b> |
| Exchange Rate <sup>(34)</sup>  | (F)             | USD/GBP        | 1.2039       |
| Net asset value in £ m   | (E) / (F) = (G) | £ m            | 759.9        |
| Number of shares in issue less shares held in treasury <sup>(35)</sup> | (H)             |                | 183,104,399  |
| <b>Net asset value per share</b>                                       | (G) / (H)       | <b>£/share</b> | <b>4.15</b>  |

Yellow Cake's estimated net asset value on 1 February 2023 was £4.27 per share or US\$966.5 million, based on 18.81 million lb of U<sub>3</sub>O<sub>8</sub> valued at a spot price of US\$50.75/lb<sup>36</sup> and cash and other current assets and liabilities of US\$12.2 million.<sup>33</sup>

| Yellow Cake Estimated Net Asset Value as at 1 February 2023            |                 |                |              |
|--|-----------------|----------------|--------------|
|  |                 | Units          |              |
| Investment in Uranium  |                 |                |              |
| Uranium oxide in concentrates ("U <sub>3</sub> O <sub>8</sub> ")       | (A)             | Lb             | 18,805,601   |
| U <sub>3</sub> O <sub>8</sub> fair value per pound <sup>(36)</sup>     | (B)             | US\$/lb        | 50.75        |
| U <sub>3</sub> O <sub>8</sub> fair value                               | (A) x (B) = (C) | US\$ m         | 954.4        |
| Cash and other net current assets/(liabilities) <sup>(33)</sup>        | (D)             | US\$ m         | 12.2         |
| <b>Net asset value in US\$ m</b>                                       | (C) + (D) = (E) | <b>US\$ m</b>  | <b>966.5</b> |
| Exchange Rate  | (F)             | USD/GBP        | 1.2360       |
| Net asset value in £ m   | (E) / (F) = (G) | £ m            | 784.4        |
| Number of shares in issue less shares held in treasury <sup>(37)</sup> | (H)             |                | 183,104,399  |
| <b>Net asset value per share</b>                                       | (G) / (H)       | <b>£/share</b> | <b>4.27</b>  |

<sup>32</sup> Daily spot price published by UxC, LLC on 31 December 2022.

<sup>33</sup> Cash and cash equivalents and other net current assets and liabilities as at 31 December 2022.

<sup>34</sup> Bank of England's daily USD/ GBP exchange rate as at 31 December 2022.

<sup>35</sup> Net asset value per share on 31 December 2022 is calculated assuming 187,740,730 ordinary shares in issue less 4,636,331 shares held in treasury on that date.

<sup>36</sup> Daily spot price published by UxC, LLC on 1 February 2023.

<sup>37</sup> Net asset value per share on 1 February 2023 is calculated assuming 187,740,730 ordinary shares in issue, less 4,636,331 shares held in treasury on that date.

**ENQUIRIES:**

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## **ABOUT YELLOW CAKE**

Yellow Cake is a London-quoted 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 (“U<sub>3</sub>O<sub>8</sub>”). It may also seek to add value through other uranium related activities. Yellow Cake seeks to generate returns for shareholders through the appreciation of the value of its holding of U<sub>3</sub>O<sub>8</sub> 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 U<sub>3</sub>O<sub>8</sub> with Kazatomprom, the world’s largest uranium producer. Yellow Cake currently holds 18.81 million pounds of U<sub>3</sub>O<sub>8</sub>, 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 U<sub>3</sub>O<sub>8</sub>, 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.