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URANIUM COMMODITY

# INVESTOR PRESENTATION

October 2020

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# Uranium Market Update

September 2020

- UxC reports total spot market volume of 5.0 million pounds  $U_3O_8$  for the month of September, well below the 2020 monthly average of 8.5 million pounds  $U_3O_8$ . Aggregate spot market volumes now exceed 75 million pounds  $U_3O_8$  for the year, more than 40% higher than for the comparable period of 2019. However, excluding the exceptional volume traded in the March-April time frame (36 million pounds  $U_3O_8$  for the two months), the 2020 monthly average sits at 5.7 million pounds  $U_3O_8$ , generally in-line with historical averages
- The month-end September Spot  $U_3O_8$  Price (UxC) stood at US\$29.75/lb, well below the May Spot  $U_3O_8$  Price of US\$34.00/lb. but still US\$5.40/lb (22%) greater than the January Spot  $U_3O_8$  Price of \$24.35/lb
- The International Energy Agency (IEA) in its Energy Review 2020 anticipates that global nuclear electricity generation will decline by 2.5% in 2020 compared to 2019 due to incrementally lower electricity demand as well as delays in planned maintenance and nuclear project construction. The Energy Information Administration (EIA) latest “Short-Term Energy Outlook” (September 2020) forecasts U.S. nuclear generated electricity to decline by a modest 2% during 2020 versus the total output in 2019
- Cameco announced the planned restart of Cigar Lake operations commencing early September. Cameco share of 2020 production targeted at 5.3 million pounds  $U_3O_8$ ; lost 2020 production will not be recovered (29 July 2020)

# Uranium Market Update

September 2020

- Kazatomprom implemented a gradual restart of full operations subsequent to the Covid-19 four month shut-down (April-July). Full year guidance (2020) indicates a loss of production approximating 10 million pounds  $U_3O_8$ , the majority in the second half of the year (3 August 2020)
- UxC forecasts that 2020 global uranium production will approximate 122.0 million pounds  $U_3O_8$  as compared to 139.5 million pounds  $U_3O_8$  in 2019, a decline of more than 12.5%
- U.S. Department of Commerce and ROSATOM released a draft Amendment to the Russian Suspension Agreement (RSA) on 11 September 2020
  - Proposed Amendment would replace the current amendment (2008) allowing up to 20% of U.S. enrichment requirements to be exported to the U.S. from Russia (includes enriched uranium product)
  - Proposed Amendment would increase near-term imports (2021-2023) to account for existing utility purchase agreements but then reduce the annual volume of uranium from Russia from 3.5 million pounds  $U_3O_8$  equivalent (2024) decreasing to 2.3 million pounds  $U_3O_8$  equivalent (2040)
  - Annual uranium quantity would decline from current 9.4 million pounds  $U_3O_8$  equivalent to an average of 2.8 million pounds  $U_3O_8$  equivalent over period 2024 to 2040

# Estimated Net Asset Value as at 01 October 2020

- On 1 October 2020, the ordinary shares of Yellow Cake closed on the LSE at a value of GBP1.99 per share, which represents a 23% discount to the net asset value of GBP2.58 per share

## Investment in Uranium

		Units	
Uranium oxide in concentrates (“U <sub>3</sub> O <sub>8</sub> ”)	(A)	lbs	9,316,385
U <sub>3</sub> O <sub>8</sub> fair value per pound <sup>(1)</sup>	(B)	US\$/lb	29.75
U <sub>3</sub> O <sub>8</sub> fair value	(A) x (B) = (C)	US\$ m	277.2
Derivative financial liability	(D)	US\$ m	(2.6)
Cash and other net current assets/(liabilities) as at 30 June 2020	(E)	US\$ m	14.5
Cash utilised for share purchases since 30 June 2020	(F)	US\$ m	(8.3)
Net asset value in US\$ m	(C) + (D) + (E) + (F) = (G)	US\$ m	280.8
Exchange Rate <sup>(2)</sup>	(H)	USD/GBP	1.2870
Net asset value in £ m	(G) / (H) = (I)	£ m	218.19
Number of shares in issue less shares held in treasury	(J)		84,414,331
Net asset value per share	(I) / (J)	£/share	<b>2.58</b>

Source:

- (1) Fair value is based on the weekly price published by UxC, LLC on 28 September 2020.  
 (2) The Bank of England's daily exchange rate of 1.287 on 01 October 2020.

# 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

## Yellow Cake Investment Highlights

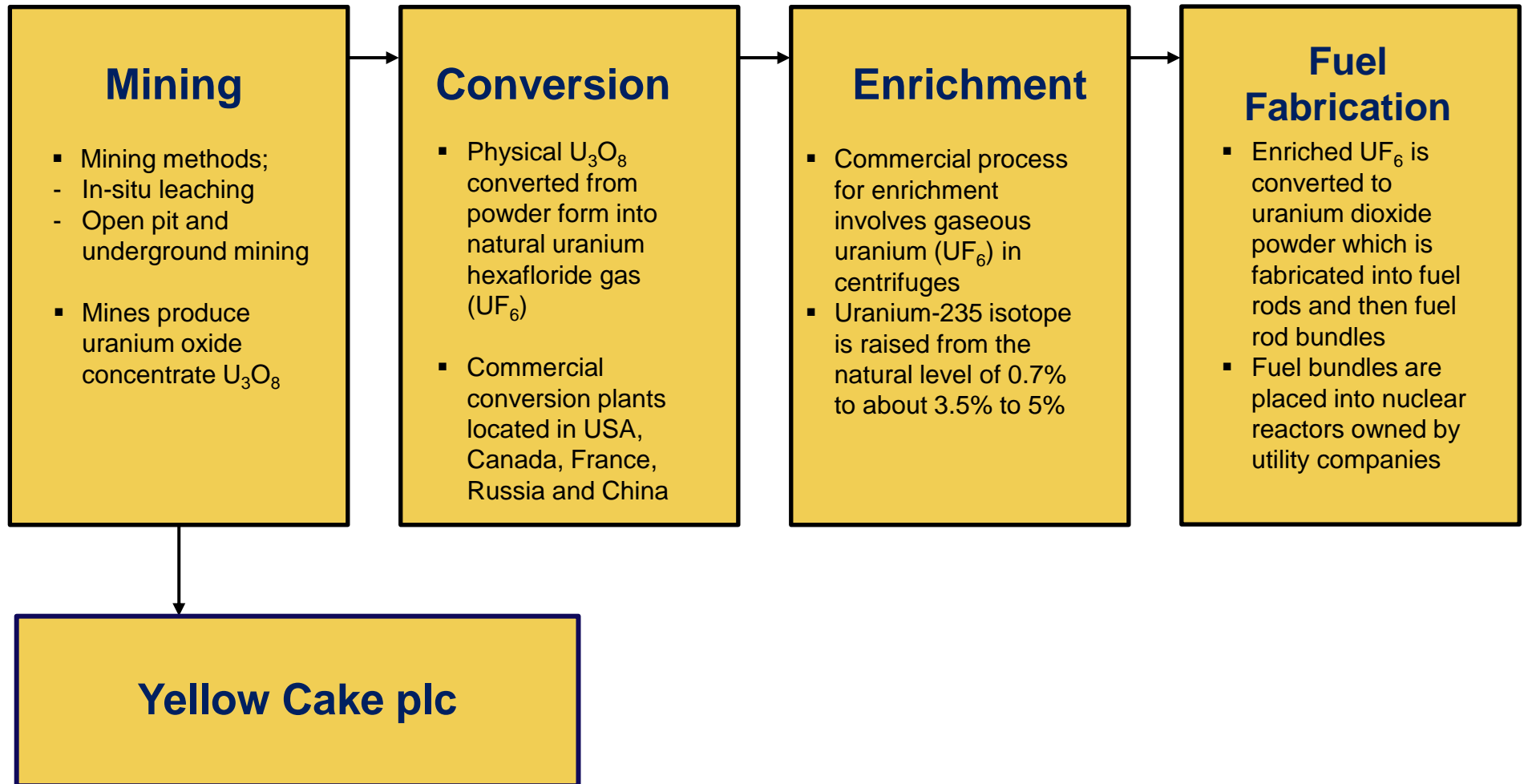
Holdings of physical  $U_3O_8$

No operating risks

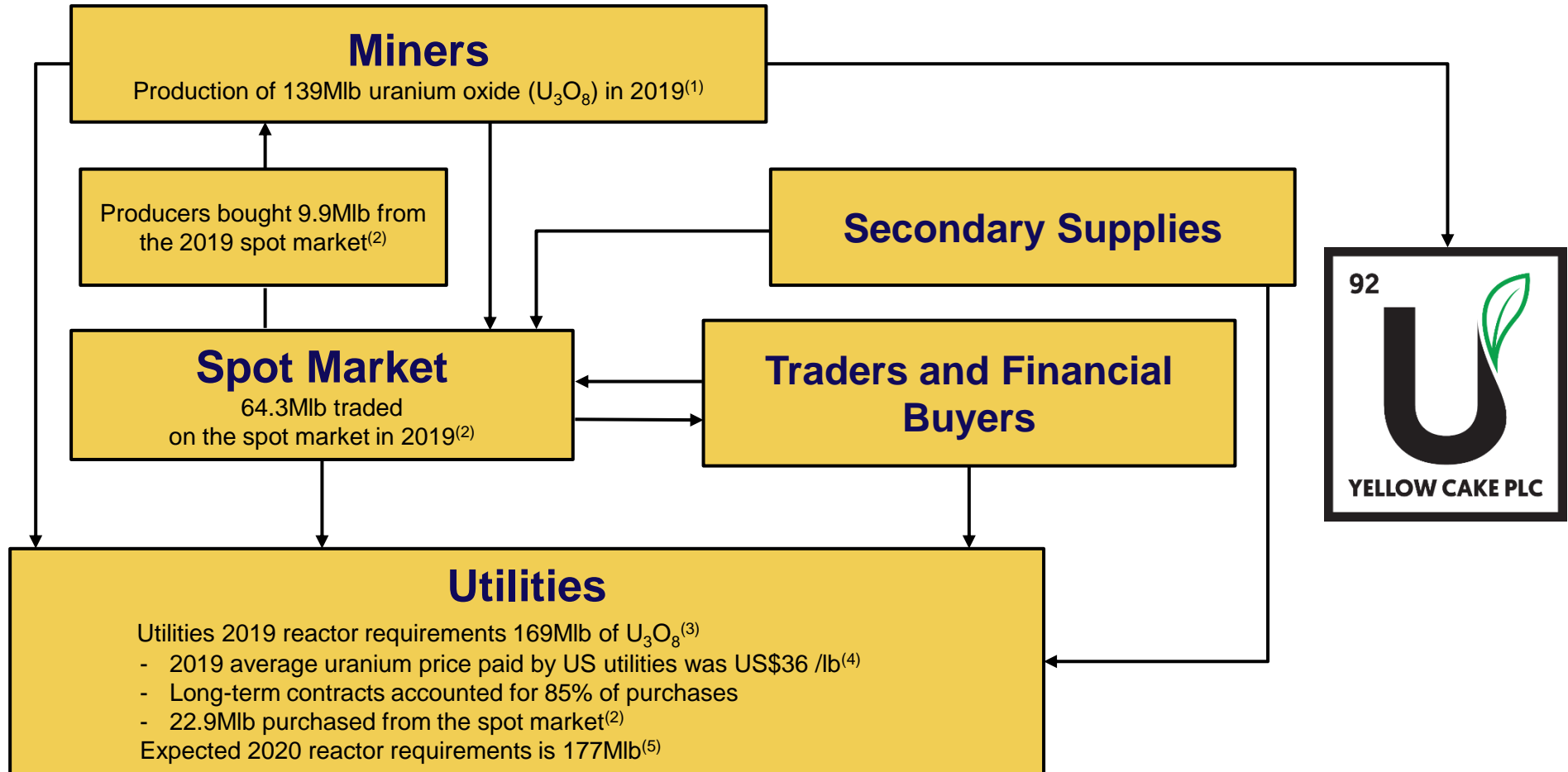
Low cost structure

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

# The Nuclear Fuel Value Chain



# The Uranium Market



Source

- (1) UxC LLC - 2019  $U_3O_8$  Production Review, May 2020
- (2) UxC LLC - 2019 Uranium Spot Market Review, February 2020
- (3) World Nuclear Association, World Nuclear Power Reactors & Uranium Requirements (August 2019)
- (4) U.S. Energy Information Administration 2019 Uranium Marketing Annual Report (May 2020)
- (5) World Nuclear Association, World Nuclear Power Reactors & Uranium Requirements (July 2020)





# Yellow Cake

## Key contracts provide strategic advantage

### 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 8.72Mlb 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



### 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

### Orano Storage Contract

#### Orano – Malvési and Tricastin

- In 2020, 600,000lb 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 Operations Summary

## 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 8.1Mlb U<sub>3</sub>O<sub>8</sub> at US\$21.01 /lb

### August 2019

- Purchased 350klb U<sub>3</sub>O<sub>8</sub> at US\$23.30 /lb

### April 2019

- Raised US\$33.9M

### June 2019

- Purchased 1.175Mlb U<sub>3</sub>O<sub>8</sub> at US\$25.88 /lb

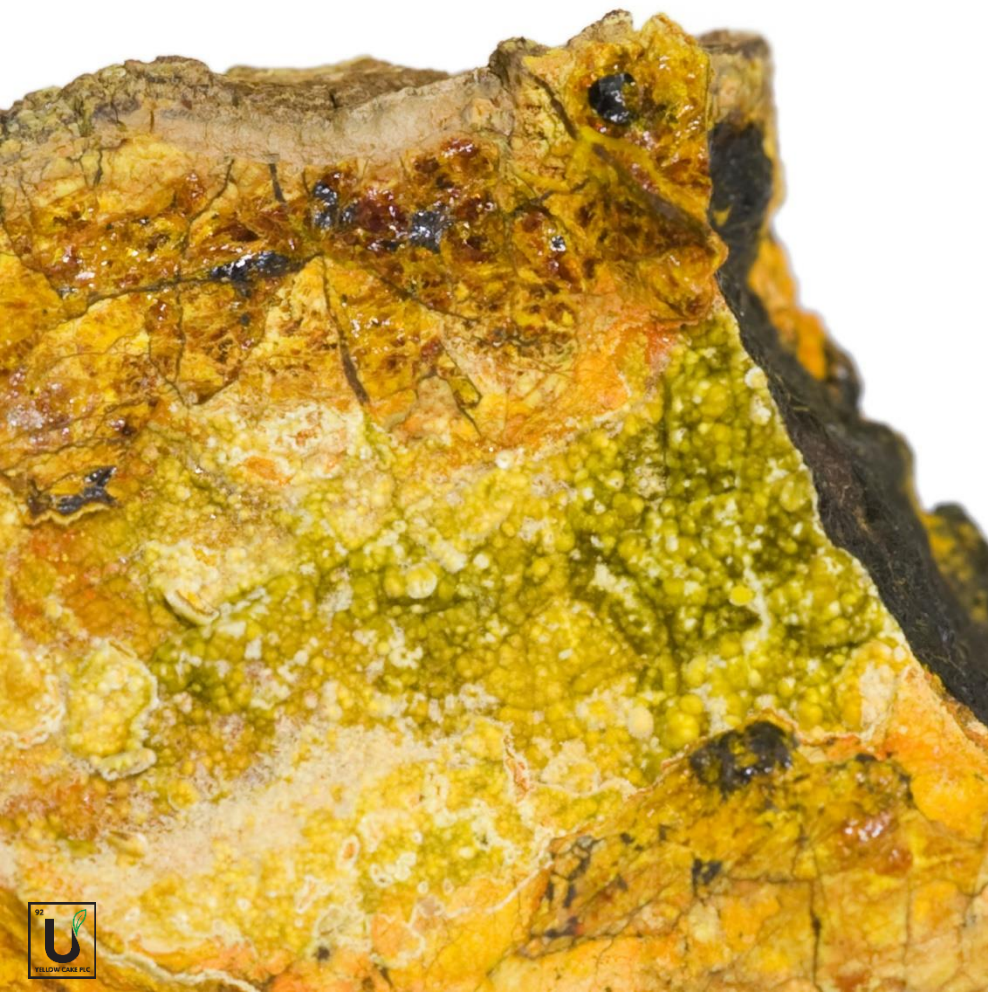
### January 2020

- Yellow Cake announces share buyback programme

### July 2020

- Yellow Cake sells 300klb U<sub>3</sub>O<sub>8</sub> 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<sub>3</sub>O<sub>8</sub> – 9.32Mlb acquired at an average price of US\$21.71 /lb

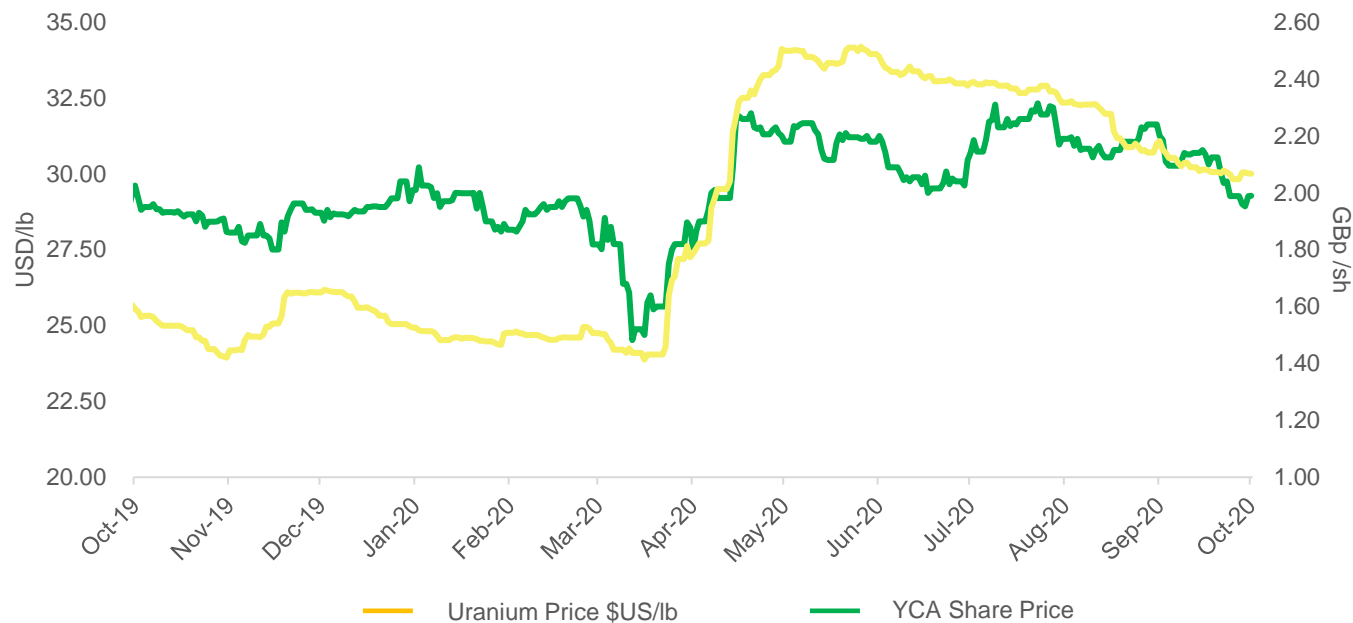


# Yellow Cake Corporate Summary

## Corporate Overview

Last Share Price <sup>(1)</sup>	£1.99
NAV per share <sup>(2)</sup>	£2.58
Market Cap (M) <sup>(1)</sup>	£168
Shares Out. (M)	88.2
Shares Held in Treasury (M) <sup>(1)</sup>	3.8
52 wk High	£2.35
52 wk Low	£1.36

## GBP Share Price and Uranium Price<sup>(3)</sup>



## Analyst Coverage and Rating



Buy



Buy



Buy

## Blue Chip Shareholder Registry



Source:

(1) As at 1 October 2020

(2) Yellow Cake's estimated net asset value on 01 October 2020 was £2.58 per share. See calculation on page 4

(3) UxC LLC & Cap IQ 28 September 2020



# 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

# Current Demand

The World Nuclear Association estimates a total of 177 Mlb of uranium is required to power today's fleet of 441 operating reactors<sup>(1)</sup>

## USA

95 operating reactors

## France

56 operating reactors

## China

48 operating reactors

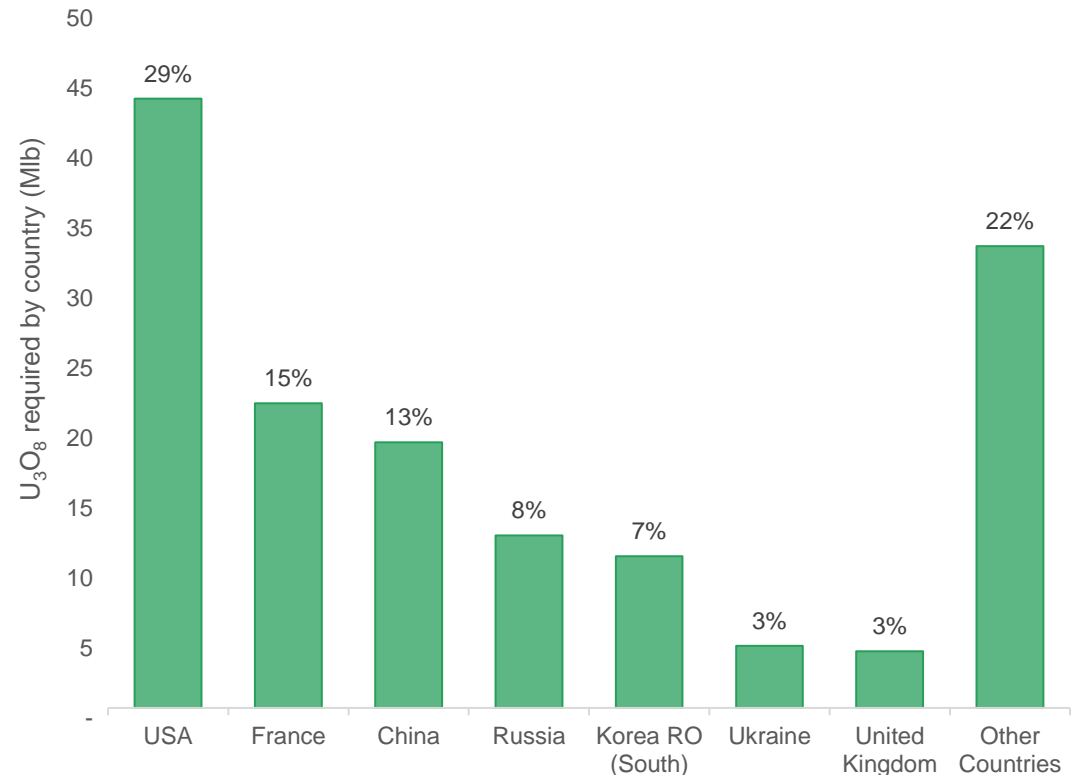
## Russia

38 operating reactors

## South Korea

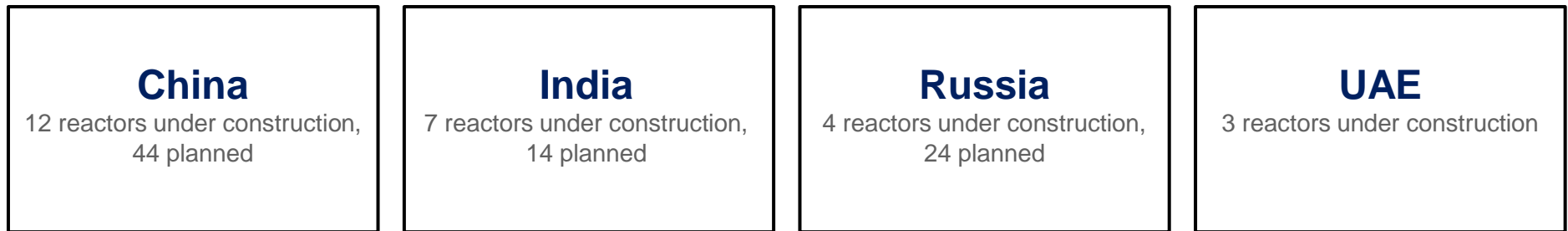
24 operating reactors

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



# Future Demand

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



	Operating Reactors <sup>(1)</sup>	Reactors Under Construction <sup>(1)</sup>	Planned Reactors <sup>(1)</sup>	Proposed Reactors <sup>(1)</sup>
World Nuclear Reactor Fleet	441	53	106	329
China Reactor Fleet	48	12	44	168

# Supply – Uranium Price Chart

## Historical Uranium Price<sup>(1)</sup>

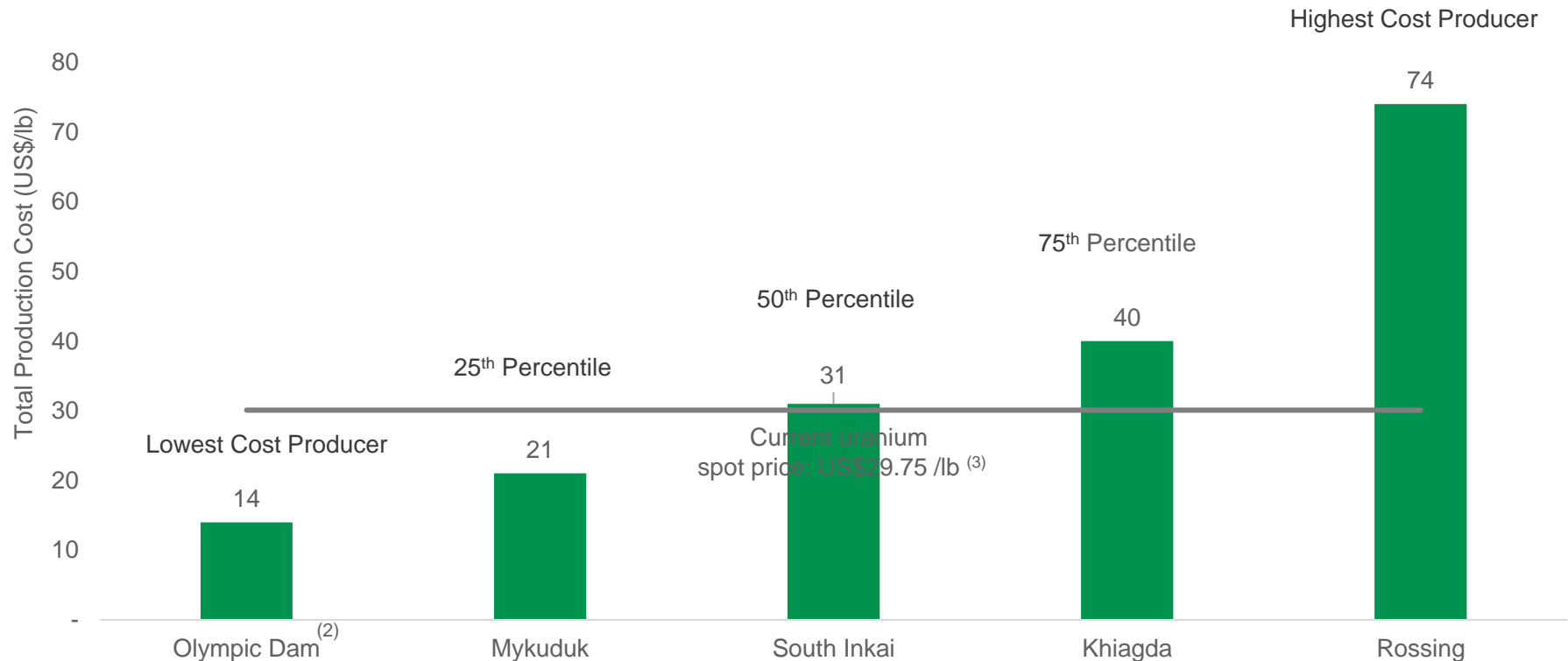




# Supply

## Significant portion of supply 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

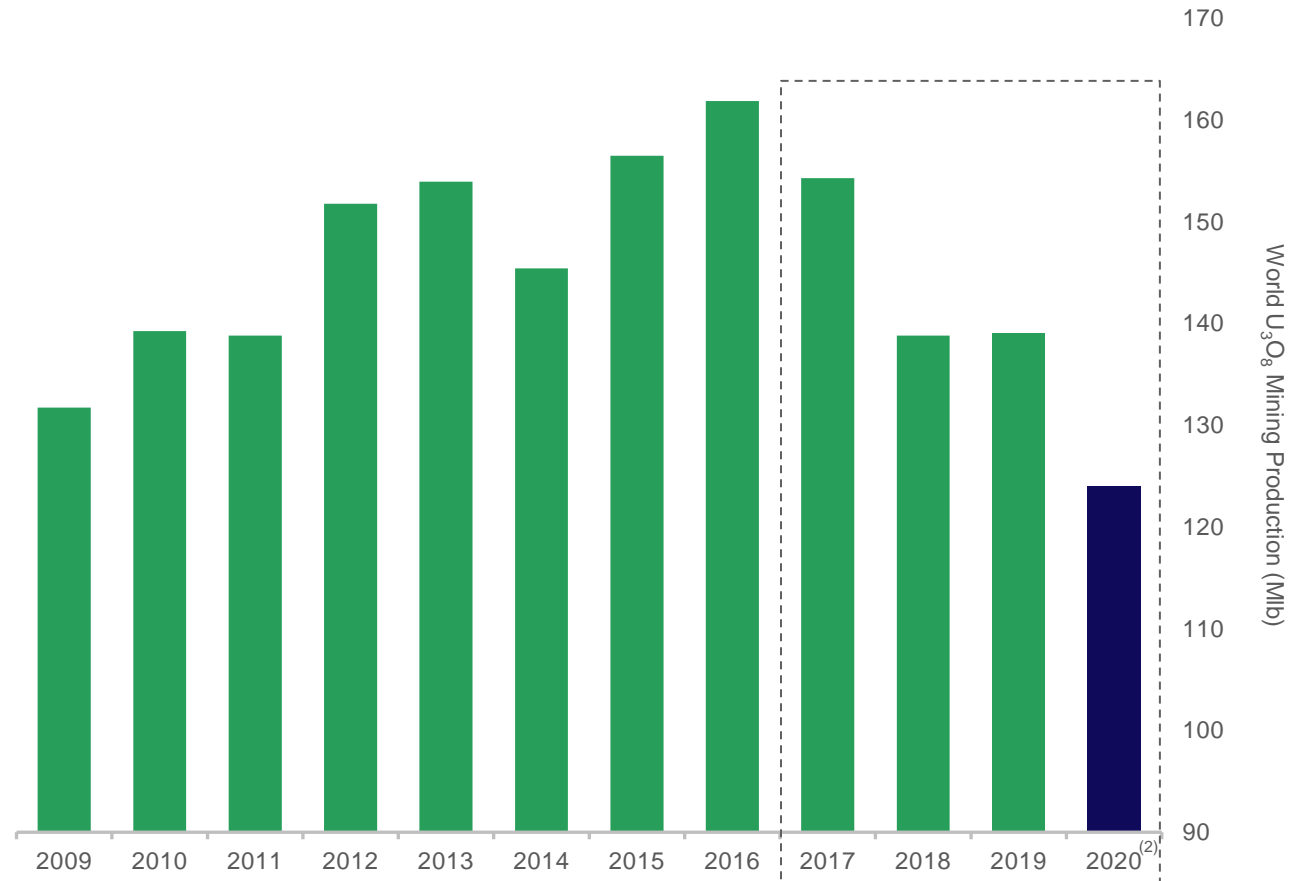
(3) UxC LLC price 28 September 2020

# Global Supply Cuts

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

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

- 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



Source

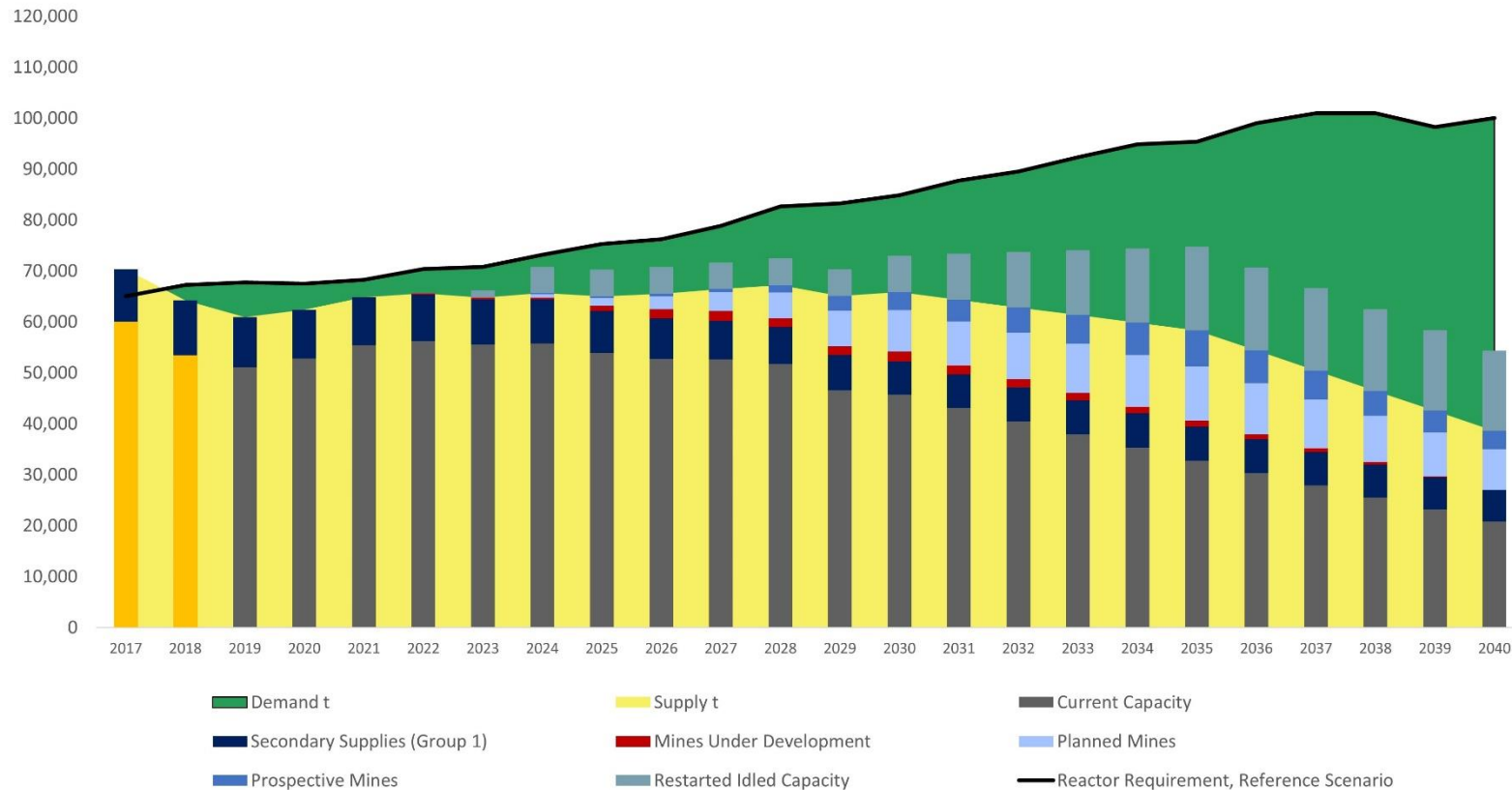
(1) World Nuclear Association, World Uranium Mining Production (August 2019)

(2) UxC LLC – 2020 uranium production guidance. 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 latest WNA nuclear fuel market report shows immediate global market supply deficit<sup>(1)</sup>

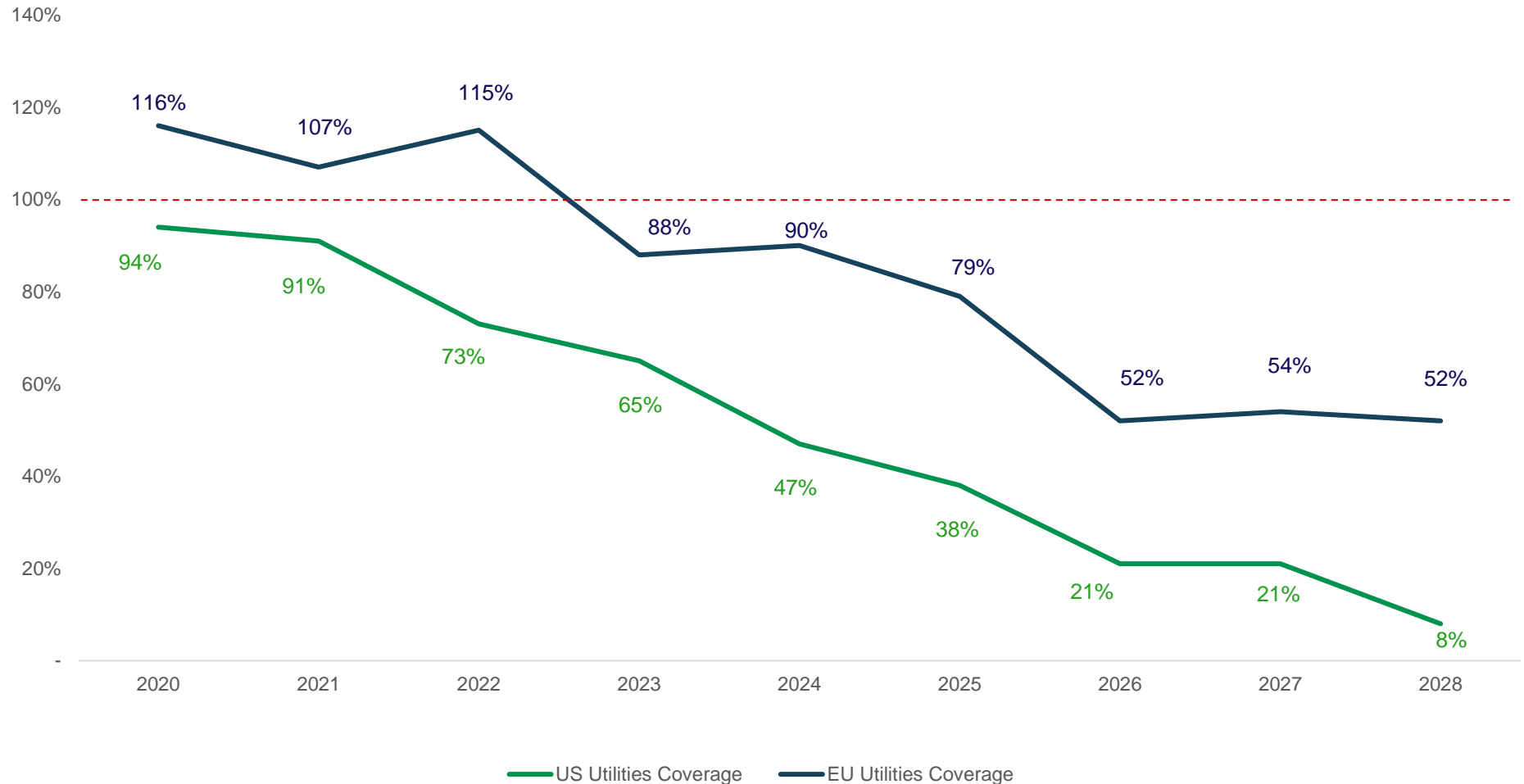
Supply / Demand Imbalance (U<sub>3</sub>O<sub>8</sub> tU)



# 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 & European Utilities



# Yellow Cake

## 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
- Uranium contract coverage in the US declines markedly from 2022-2023, down to less than 50% by 2024
- Immediately prior to the COVID 19 pandemic, US utilities were entering the long term market and we expect utilities to re-enter the term market into Q4
- We continue to see more risk to the uranium supply side than the demand side