



PURE EXPOSURE TO THE  
URANIUM COMMODITY

INVESTOR  
PRESENTATION

August

**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

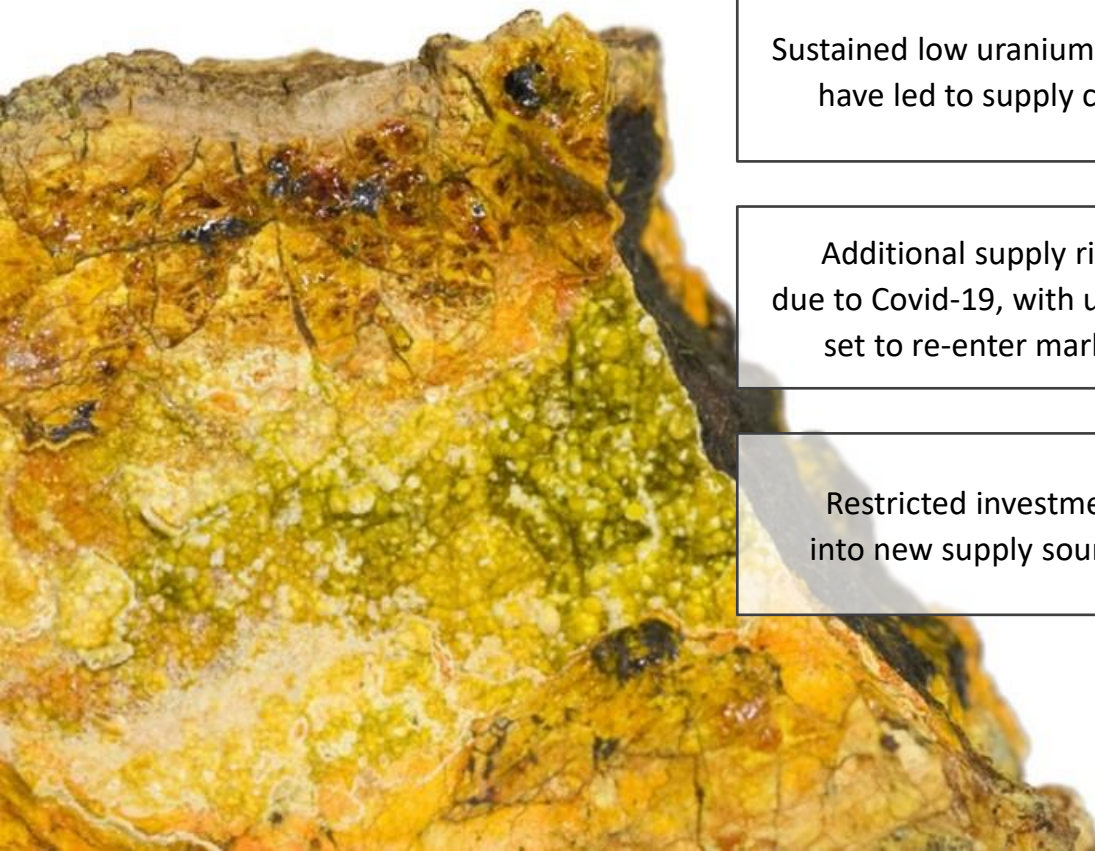
## Investment Highlights

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



# Uranium market update

July 2021



## Spot Market Overview

- The UxC U<sub>3</sub>O<sub>8</sub> price strengthened reaching US\$32.30 /lb at the end of July, an increase from the previous month's spot price of US\$32.10 /lb<sup>(1)</sup>
- Near-term uranium demand in July rose to 6.6 Mlb U<sub>3</sub>O<sub>8</sub> with approximately 48 Mlb (YTD) transacted in the spot market from more than 210 deals<sup>(1)</sup>
- A total of 13 spot transactions were booked in July, made up of 11 deals involving straight U<sub>3</sub>O<sub>8</sub>, one enriched uranium product (EUP) deal, and one for enrichment services
- For uranium, July's volume totalled over 5.6 million pounds U<sub>3</sub>O<sub>8</sub> equivalent under 12 transactions, bringing annual totals to 213 transactions for 42.9 million pounds U<sub>3</sub>O<sub>8</sub><sup>(1)</sup>

## Kazatomprom

- For Q2 2021 Kazatomprom reported 14.4 Mlb of production (100% basis) compared to 13.6 Mlb year on year
- Uranium output reached 27.2 Mlb for the first six months of the year, comparable to the same period in 2020 (27.1 Mlb)
- Current 2021 production guidance is in the range of 58.5 – 59.3 Mlb U<sub>3</sub>O<sub>8</sub> which is higher than 2020 output of 50.6 Mlb
- Kazatomprom announced that it will maintain a 20% reduction of production through 2023 (compared to the planned levels under Subsoil Use Contracts)
- Full implementation of the production restraint plan would remove 13.0 Mlb (5,000 tU) from the previously anticipated global primary supply in 2023, with uranium production in Kazakhstan remaining similar to the level expected in 2022<sup>(2)</sup>
- Kazatomprom's CEO, Galymzhan Pirmatov, stated that, *"the Company does not expect to return to full Subsoil Use Contract production levels until a sustained market recovery is evident, supply and demand conditions signal a need for more uranium, and the Company's pipeline of mid to long-term contract negotiations implies there is a low risk of produced volumes further delaying the recovery."*<sup>(2)</sup>

Source:

1) UxC LLC August 2021

2) Kazatomprom Announces 2023 Production Plans, Ortalyk Transaction Update 2 July

# Uranium market update

July 2021



## Cameco

- Cameco reported (28 July 2021, Q2 Result Conference Call) Cigar Lake production could be as much as 12.0 Mlb in 2021 (subject to any further disruptions due to Covid-19 or forest fires in the area) with Cameco receiving “up to 6 Mlb”
- Regarding 2021 market purchases, the company is forecasting 11–13 Mlb, which includes:
  - volumes that have already been delivered
  - material already under contract for 2021 delivery
  - pounds purchased from its equity position (40%) in JV Inkai (Kazakhstan)
  - purchase of excess inventory from NUKEM
- During 2021 Cameco is entitled to purchase as much as 5.3 Mlb from JV Inkai, representing 59.4% of the 2021 planned production of 9.0 Mlb
- Regarding the term market, the company reported an additional 7 Mlb had been added to their contract portfolio supplementing the 9 Mlb secured earlier in the year - Since 2019 Cameco has executed over 60 Mlb of new term contracts

## Sprott and UPC

- On 28 April 2021, Uranium Participation Corporation (UPC) announced an agreement with Sprott Asset Management to “modernize business structure and pursue US listing.”
- The proposed plan of arrangement would transform UPC into a closed end investment trust managed by Sprott Asset Management (SAM), with UPC becoming a subsidiary of the Sprott Physical Uranium Trust (“SPUT”).
- On 26 May 2021, UPC announced the completion of a C\$80.5 million (US\$ 66.0 million) bought deal financing the net proceeds of which will be used “to fund future purchases of U<sub>3</sub>O<sub>8</sub> and/or UF<sub>6</sub> and for general corporate purposes.”
- The proposed plan of arrangement was supported by UPC shareholders in a 7 July 2021 vote with 99.9% of the votes cast supported the plan.
- Sprott announced on 19 July 2021 that the proposed transaction has been completed and SPUT began trading on the Toronto Stock Exchange.

# Uranium market update

July 2021



## Euratom Supply Agency (ESA)

- The Euratom Supply Agency (ESA) released its “Annual Report – 2020” (2 July, 2021) which documents nuclear fuel activities by the commercial nuclear power industry within the European Union and the United Kingdom
- Gross uranium requirements totalled 41.1 Mlb in 2020 with the utilities purchasing 32.7 Mlb (97% under multi-year/term uranium agreements)
- The five principal EU uranium suppliers included Niger, Russia, Kazakhstan, Canada and Australia which in total provided 91.3% of the total uranium acquired during the year
- Uranium inventories fell slightly from the 2019 level to 110.2 Mlb, down considerably from the 2016 inventory level of 133.9 Mlb
- Forward uranium coverage ranges from 116% in 2024 declining to 57% by 2029

## International Energy Agency (IEA)

- The International Energy Agency (IEA) released the third revision of its Special Report entitled, “Net Zero by 2050, A Roadmap for the Global Energy Sector.”
- This comprehensive study examines requisite policies to reach the goal of net zero GHG emissions by the middle of this century
- Nuclear power plays a significant role in the analysis increasing from an assumed current 415 Gwe installed capacity up to 812 Gwe by 2050 (Note: Based upon current reactor fuel design and management strategies, annual uranium requirements would approximate 365 Mlb per year by 2050)
- The report concludes that “At its peak in the early 2030s, global nuclear capacity additions reach 30 Gwe per year, five-times the rate of the past decade.”

## Estimated net asset value

On 13 August, the ordinary shares of Yellow Cake closed on the LSE at a value of GBP 2.61 per share, which represents a 9% premium to the net asset value of GBP 2.39 per share.

Investment in Uranium		Units	
Uranium oxide in concentrates (“U <sub>3</sub> O <sub>8</sub> ”) <sup>(1)</sup>	(A)	lb	13,855,601
U <sub>3</sub> O <sub>8</sub> fair value per pound <sup>(2)</sup>	(B)	US\$/lb	30.68
U <sub>3</sub> O <sub>8</sub> fair value <sup>(2)</sup>	(A) x (B) = (C)	US\$ mm	425.1
Uranium derivative liability <sup>(3)</sup>	(D)	US\$ mm	(3.4)
Cash and other net current assets/(liabilities) <sup>(4)</sup>	(E)	US\$ mm	87.3
Net asset value in US\$ mm	(C) + (D) + (E) = (F)	US\$ mm	509.0
Exchange Rate	(G)	USD/GBP	1.3853
Net asset value in £ mm	(F) / (G) = (H)	£ mm	367.4
Number of shares in issue less shares held in treasury	(I)		153,671,232
<b>Net asset value per share</b>	<b>(H) / (I)</b>	<b>£/share</b>	<b>2.39</b>

Source:

- 1) Comprises 13,305,601 lb of U<sub>3</sub>O<sub>8</sub> held on 30 June 2021 plus 550,000 lb of U<sub>3</sub>O<sub>8</sub> purchased in July and August 2021
- 2) Fair value is based on the Weekly Price published by UxC, LLC on 12 July 2021
- 3) As at 31 March 2021
- 4) Cash and other current assets and liabilities of US\$105.1 million as at 30 June 2021 less a cash consideration of US\$17.8 million paid for the purchase of 550,000 lb of U<sub>3</sub>O<sub>8</sub> in July and August 2021



# Yellow Cake corporate summary

## Corporate overview

Last share price <sup>(1)</sup>	£2.61
NAV per share <sup>(2)</sup>	£2.39
Market cap (mm) <sup>(1)</sup>	£400
Shares out. (mm)	153.6
Shares held in treasury (mm) <sup>(1)</sup>	4.2
52 week high	£2.91
52 week low	£1.84

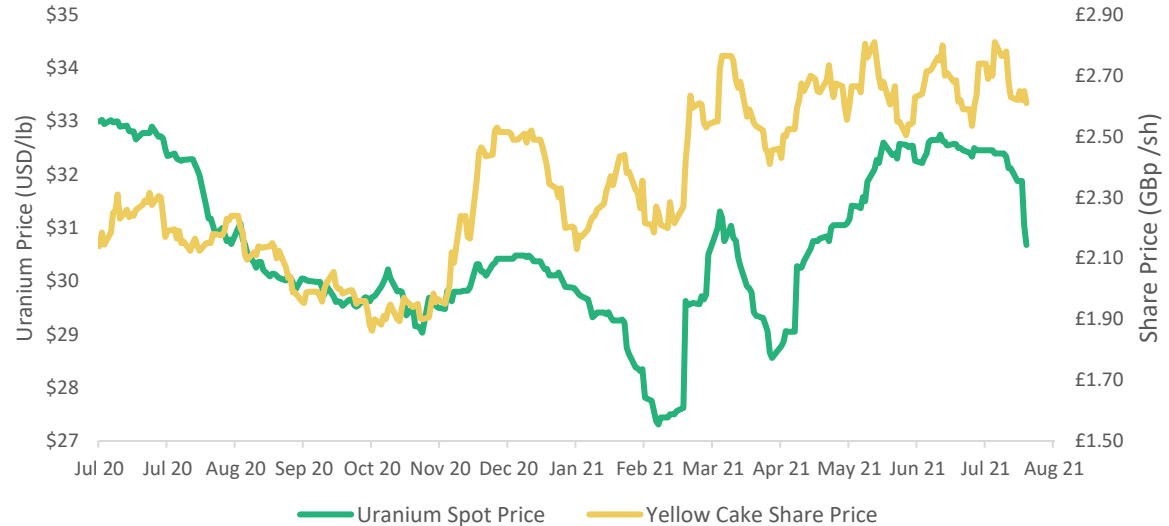
## Analyst coverage and rating

	Buy
	Buy
	Buy
	Buy
	Buy

Source:

- 1) Cap IQ on 13 August
- 2) Yellow Cake's estimated net asset value on 16 August. See calculation on page 6
- 3) UxC LLC August 2021

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



## Blue chip shareholder registry





# Strategic relationship with Kazatomprom allows for value accretive growth



## Option Agreement with Kazatomprom, the world's largest and lowest cost producer<sup>(1)</sup>

- 10-year Framework Agreement with Kazatomprom
- Yellow Cake has the right to purchase up to US\$100m of  $U_3O_8$  annually
- Term of the option agreement extends to 2027
- Purchase price is locked in based on the prevailing spot price at the time of purchase
- The Company can also source uranium from any other supplier if advantageous

Source:

1) World Nuclear Association, Uranium and Nuclear Power in Kazakhstan (February 2021)



# 2020 was a transition year for the uranium market

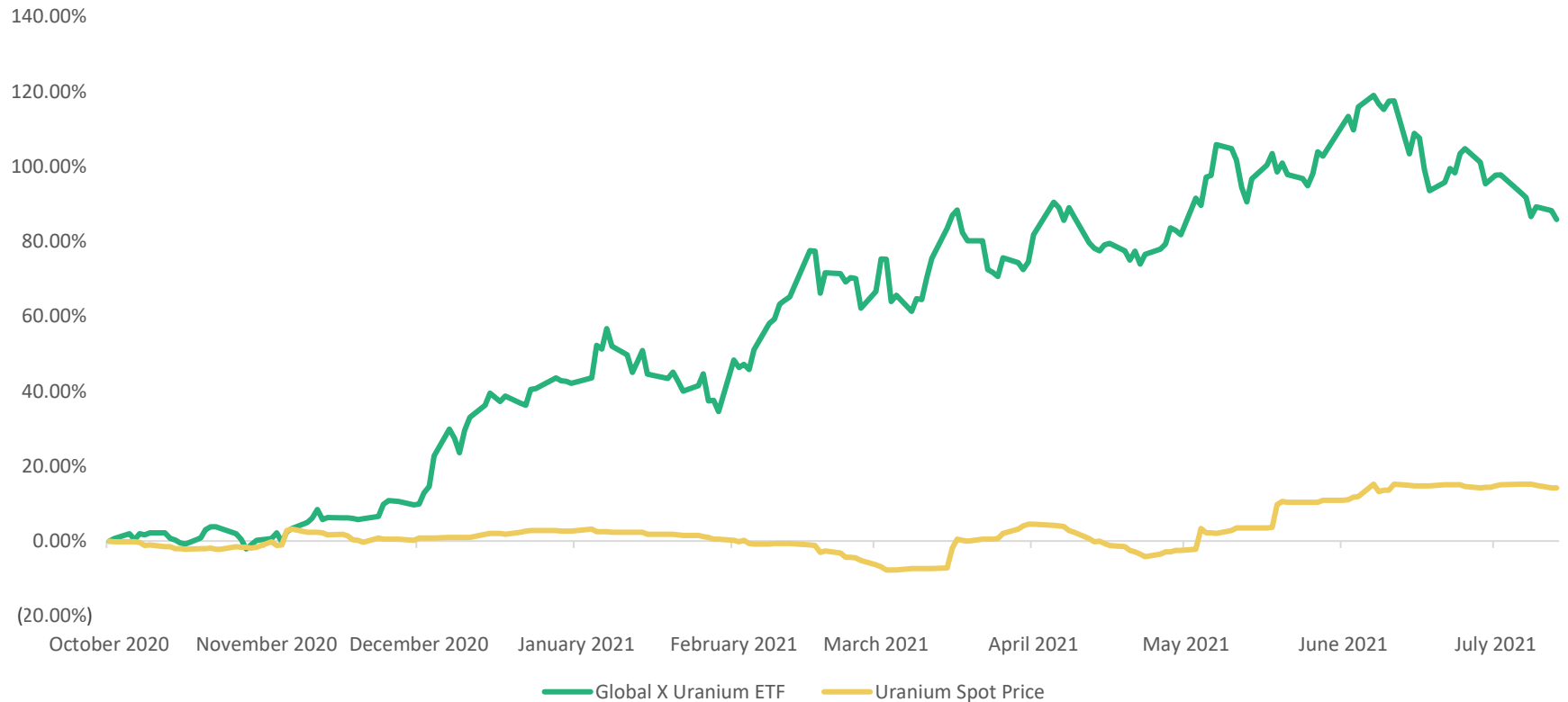
## Uranium market impacts

- COVID-19 pandemic highlighted the supply side vulnerability
- Nuclear energy demonstrated its resilience as a reliable, low-cost electricity supply source
- US policy issues overhanging the market were resolved
- A number of countries committed to carbon neutrality and included nuclear power in policy statements

# Investor interest in uranium equities increased significantly since Q4 2020



Uranium Equities Performance – LTM<sup>(1)</sup> – Global X Uranium ETF v Uranium spot price



Source:

1) Cap IQ, July 2021

# Yellow Cake raises c.US\$225 m in H1-2021 on the back of strong investor demand



## June 2021 – US\$86.9m Equity Raise

- Issued 25 million new ordinary shares at a price of £2.50 per share
- Raised gross proceeds of £62.5 million (approximately US\$86.9 million)
- Proceeds partly applied to acquire a further 550,000 lb of  $U_3O_8$  in the spot market at an average price of US\$32.35 /lb
- The Company also expects to conclude an agreement with Kazatomprom to purchase a further 2.0 million lb of  $U_3O_8$  at a price of US\$32.23 /lb

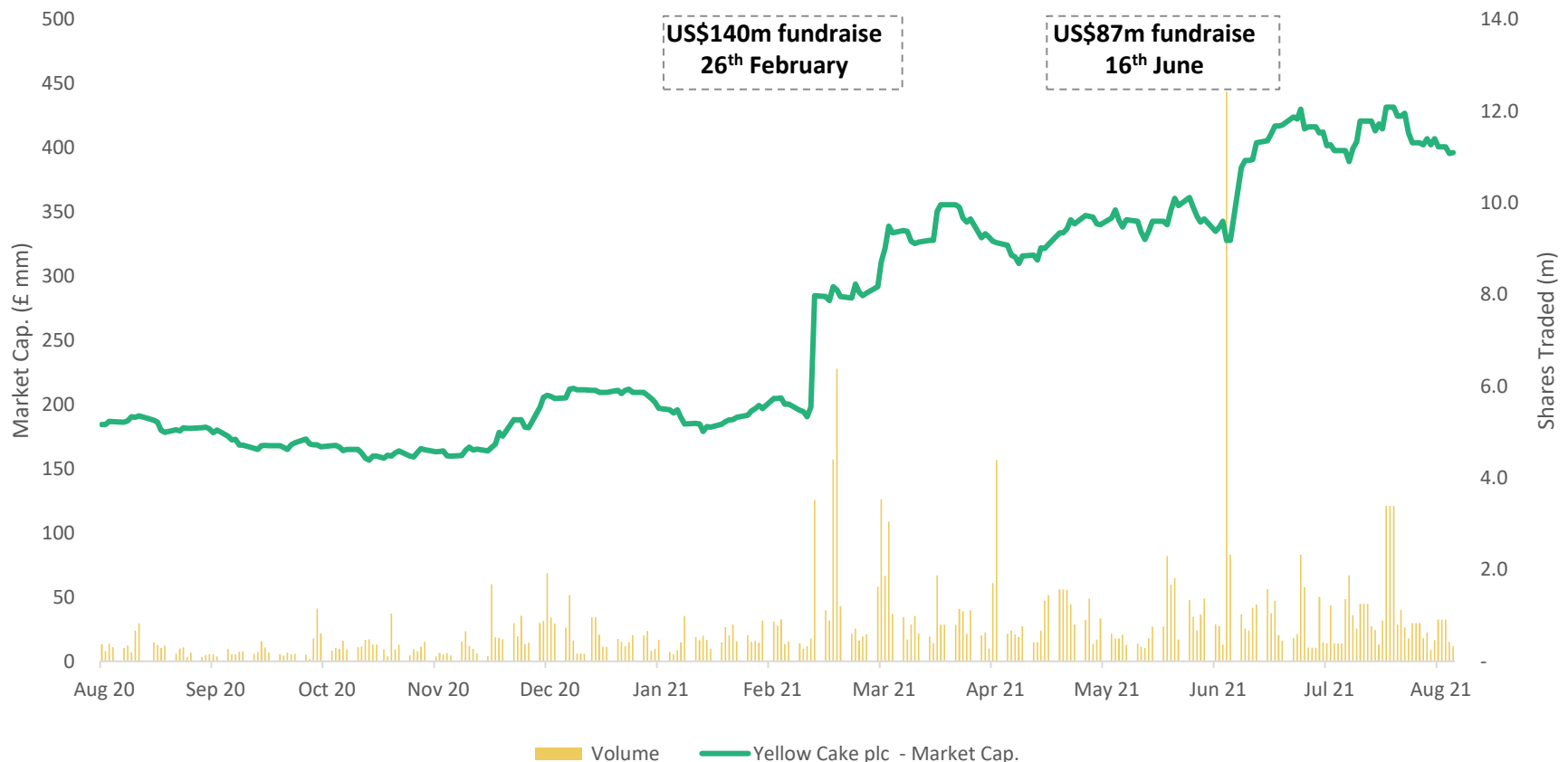
## March 2021 – US\$138.5m Equity Raise

- Equity raise upsized to approximately US\$140m from approximately US\$110m due to strong investor demand
- Yellow Cake able to fully exercise its 2021 Kazatomprom option of US\$100m at a uranium price of US\$28.95/lb
- Strong support from retail shareholders, US\$5m raised from 380 retail investors via Primary Bid
- Yellow Cake made additional spot market purchases:
  - March – Purchased 540,000 lb for US\$15m
  - May – Purchased 343,053 lb for US\$10m
- Uranium Royalty Corporation exercised its option to acquire from Yellow Cake 348,068 lb  $U_3O_8$  for a cash consideration of US\$10m in April 2021

# Yellow Cake has seen a significant increase in trading volumes since February 2021



- Main drivers for the increase are:
  - Increased number of shares on issue and increased market capitalisation
  - Increased retail volume
  - Significant improvements in the uranium market sentiment



# 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%



# Future demand

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

<p><b>China</b></p> <p>18 reactors under construction, 37 planned</p>	<p><b>India</b></p> <p>7 reactors under construction, 14 planned</p>	<p><b>Russia</b></p> <p>2 reactors under construction, 25 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	443	56	99	325
China Reactor Fleet	51	18	37	168

Source  
 1) World Nuclear Association, World Nuclear Power Reactors & Uranium Requirements (July 2021)

# Increasing commitments to carbon neutrality includes nuclear



## Commitments to carbon neutrality<sup>(1)</sup>

- Canada – 2050
- China – 2060
- European Union – 2050
- France – 2050
- Japan – 2050
- United Kingdom – 2050
- U.S.A. – 2050

## Carbon Free Energy Initiatives

- United States of America officially re-joined the Paris Agreement
- The proposed “American Jobs Plan,” (proposed to be budgeted at US\$2.25 trillion) would incentivise clean electricity from nuclear reactors
- European Commission’s, Joint Research Centre (JRC) draft report concluded that nuclear energy does not harm the European Green Deal sustainability objectives<sup>(2)</sup>

Source:

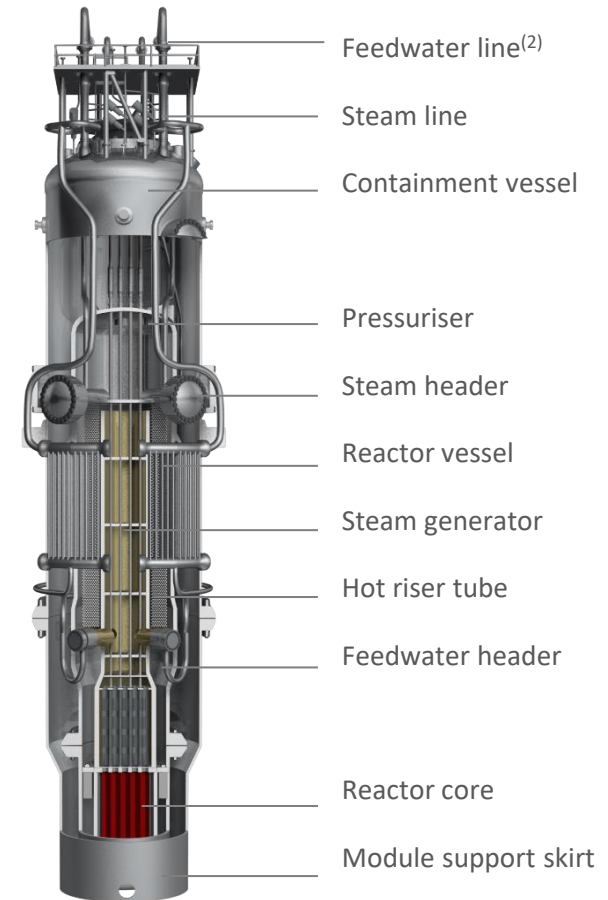
1) Carbon Neutrality by 2050: the World’s Most Urgent Mission

2) Technical assessment of nuclear energy with respect to the ‘do no significant harm’ criteria of Regulation (EU) 2020/852 (‘Taxonomy Regulation’)



# Growing interest in small Modular Reactors

- SMR's generate up to 300MW of electricity and are more flexible and more affordable than large reactors<sup>(1)</sup>
- SMR's are ideal for smaller grids and remote locations
- Across 9 countries there are currently 4 SMR's operating, 3 SMR's under construction and 14 SMR's that are well developed nearing deployment<sup>(3)</sup>
- Significant investment is going into SMR's from national governments such as the US, Canada, China and the UK as well as from global companies<sup>(3)</sup>



Source:

1) IAEA – Economic Appraisal of Small Modular Reactor (SMR) Projects: Methodologies and Applications (I12007)

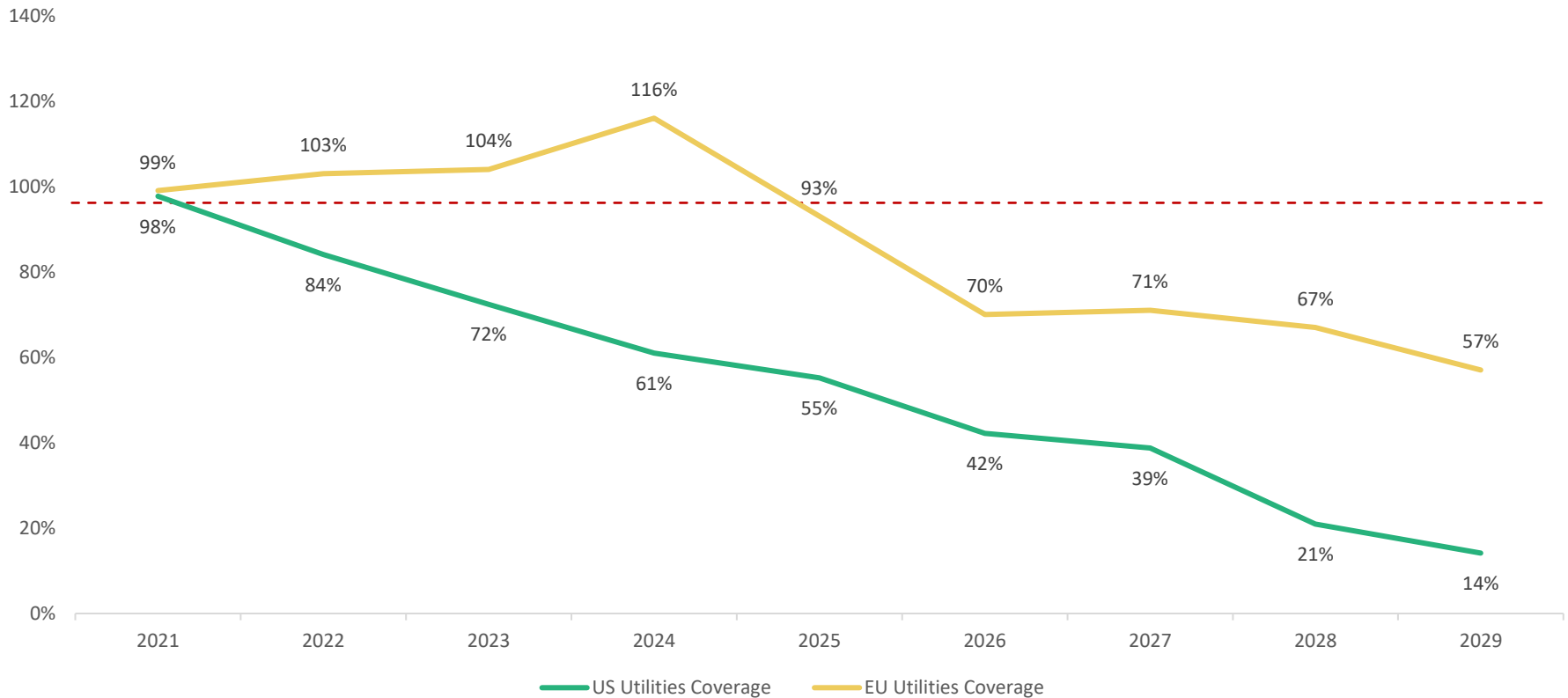
2) Nuscale

3) WNA, Small Nuclear Reactors October 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



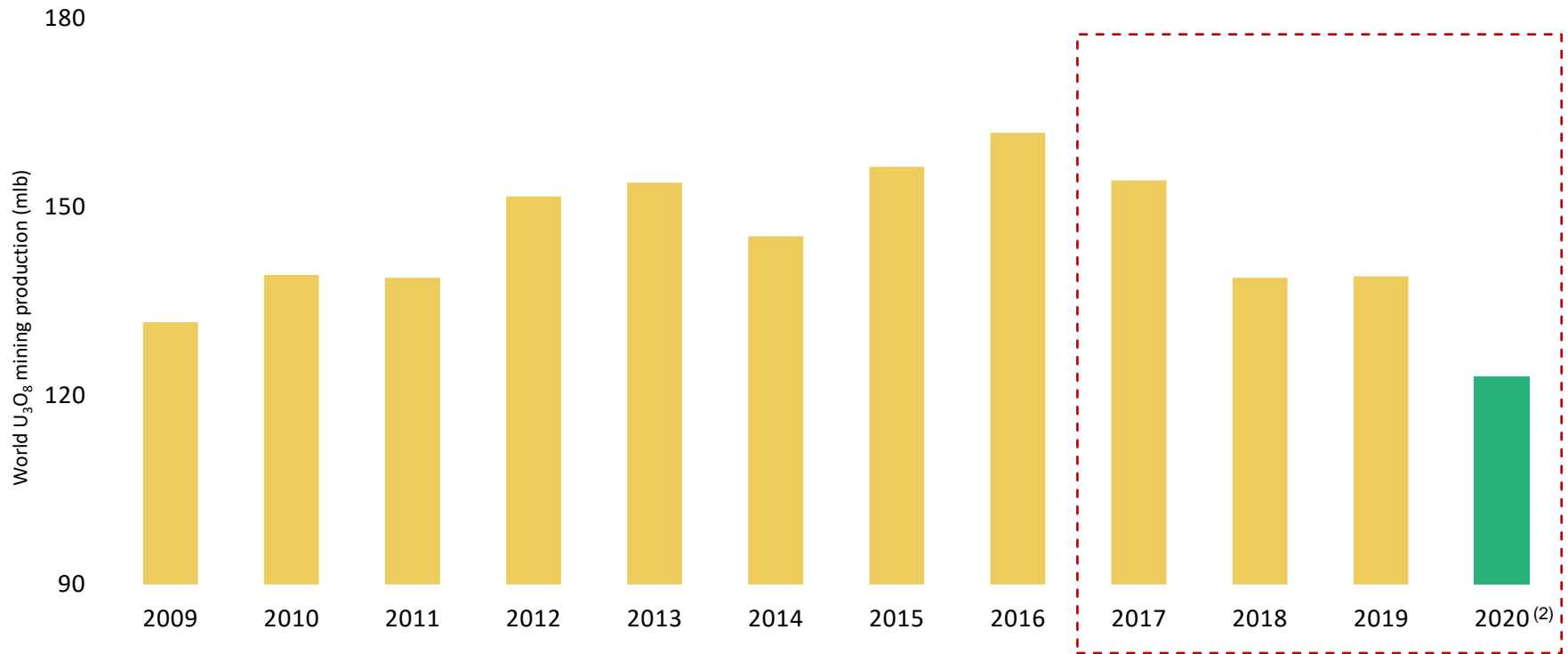
Source

- 1) US Energy Information Administration: Maximum anticipated uranium market requirements of owners and operators of U.S. civilian nuclear power reactors, 2021–2030, at end of 2020 (May 2021, Table 12)
- 2) Euratom Supply Agency Annual Report 2020 (2021)

# Global supply cuts

## Producers have made significant production cuts, exacerbated by COVID-19

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



Source

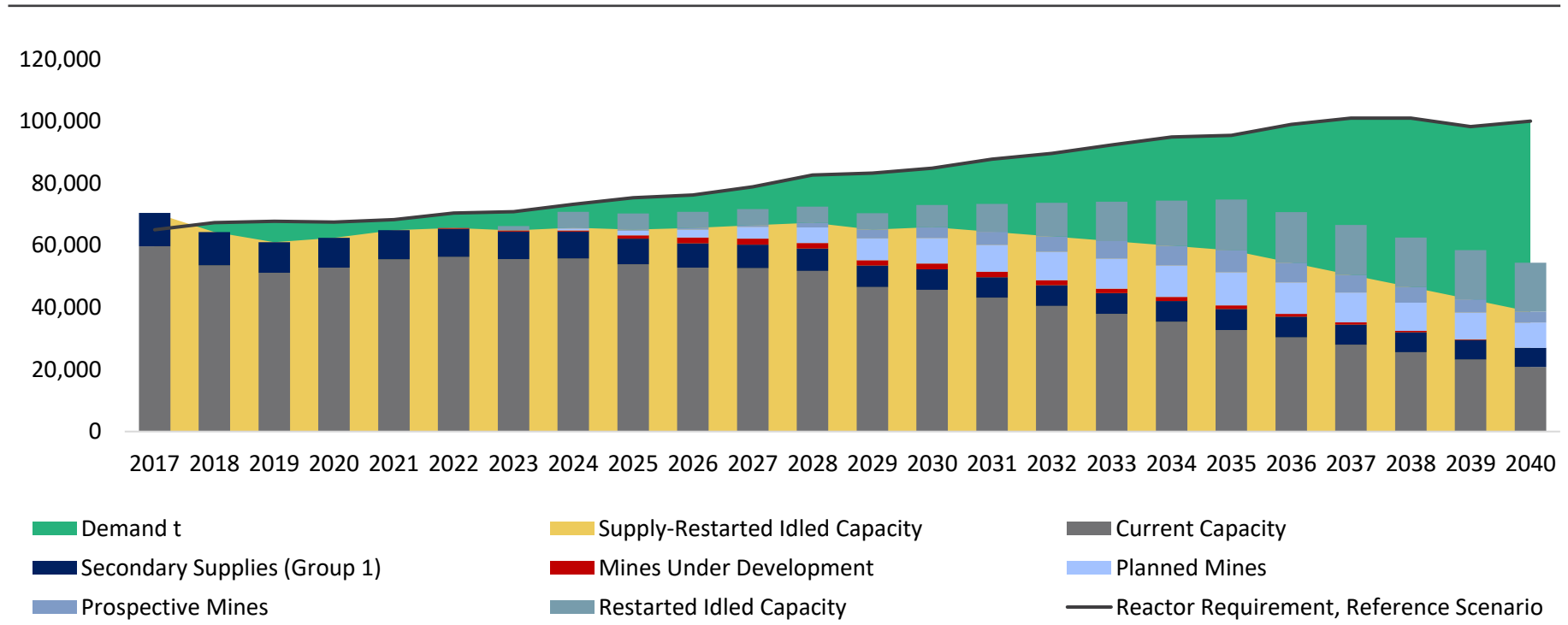
1) World Nuclear Association, World Uranium Mining Production (August 2019)

2) UxC LLC – “Uranium Market Outlook Q4 December” 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)