Canaccord Genuity Capital Markets

Canaccord Genuity Equity Research
22 September 2021

Target Price Changes

Specialty Minerals and Metals

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Company	Rating	Price	Target
Specialty Minerals and Metals			
BOE-ASX	Spec Buy	A$0.28	A$0.36↑
previous			*A$0.23*
CCO-TSX	Buy	C$27.00	C$34.00↑
previous			*C$27.00*
DML-TSX	Spec Buy	C$1.80	C$3.00↑
previous			*C$2.50*
FCU-TSX	Spec Buy	C$0.90	C$1.10↑
previous			*C$0.80*
LOT-ASX	Hold	A$0.28	A$0.28↑
previous			*A$0.21*
NXE-TSX	Spec Buy	C$5.99	C$10.00↑
previous			*C$7.00*
PDN-ASX	Buy	A$0.87	A$1.02↑
previous			*A$0.60*
PEN-ASX	Spec Buy	A$0.28	A$0.30↑
previous			*A$0.21*
U.UN-TSX	Buy	C$16.77	C$21.00↑
previous			*C$15.00*
UEC-NYSE	Spec Buy	US$3.08	US$4.25
URC-TSXV	Spec Buy	C$5.58	C$7.00
YCA-AIM	Buy	358p	505p ↑
previous			*295p*

Priced as of close of business 21 September 2021

Chain reaction — mixing fundamentals and financials

Don't let memes get in the way of a good fundamental story. **Financial players are clearly accelerating price discovery in a thinly traded spot market, but this would not be occurring if there was not a fundamental supply deficit.** The frailties created by over 10 years of underinvestment in supply coupled with COVID-19 disruptions are not imagined, neither is the importance of base load, emissions free generation in a carbon-constrained world. We upgrade our long-term uranium price to US$65/lb, in line with our updated demand and marginal cost of supply forecasts.

Government support has moved from words to action... Growth from non-OECD nations has always been the bedrock of our positive demand outlook, and this view has only strengthened with China starting its first fourth generation reactor and committing to a ~40% expansion in its nuclear fleet by 2025. Adding to this is a more constructive view around North American and European demand in the wake of 1) clear support for nuclear energy in the "American Jobs Plan"; 2) recent financial support (US$700M) for nuclear energy in Illinois to keep its reactors online; and 3) the European Commission announcing that it will potentially include nuclear in the EU's sustainable taxonomy.

... and we upgrade our demand forecasts (again). The acknowledgement of nuclear's critical role in combating climate change has been slow coming, but has now gained momentum. This has reduced the risk of accelerated plant closures and continues to drive growth in developing nations. Accordingly, we have increased our primary demand forecast to 2.8%pa to 2035 (2.6% prior). Our forecast excludes any potential positive impact from SMRs and secondary demand (i.e., SPUT).

Higher long-term prices still needed to resolve supply deficit. Primary mine supply remains under significant pressure, a situation which has only been compounded by recent COVID-19 disruptions and the shutdown of Ranger and Cominak. In 2021, we forecast a similar supply deficit to 2020 (~25Mlb), before consideration of SPUT's entry into the market. With continued supply side discipline (KAP -20% cut through 2023), secondary supply falling (SWU at 5-year highs) and inventory levels eroding, we believe higher contract prices are needed to stimulate new supply.

This cycle's half-life isn't going to be brief, in our view. The spot price has risen dramatically on the back of physical purchases by the Sprott Physical Uranium Trust, hitting a 12-year high of US$50/lb (+64%) in just four weeks. SPUT recently upsized its ATM to US$1.3 billion (from US$300M), and we believe it is likely that this price momentum continues through year-end with strong demand for continued purchases.

Peak pricing on deck? Upgrading our long-term forecast. In this report, we consider the potential for a near-term uranium price peak to US$80/lb driven by a wave of physical purchases. While difficult to predict the magnitude and length of such a peak, we have updated our price deck for a scenario which considers previous and projected buying from SPUT (up to US$1.3B). We do acknowledge that there is potential upside to our forecasts (and downside) predicated on multiple factors, including future demand for SPUT as the Trust seeks an NYSE listing in 2022. And while history has shown us there is precedent for the price to potentially surge north of US$100/lb, that same history shows us those pricing levels could be short-lived. Accordingly, our LT price of US$65/lb remains predicated on the marginal cost of production.

Equity implications and top picks. We have updated our estimates to reflect our revised uranium price deck. Despite recent market sentiment, we continue to prefer companies with a sound balance sheet and positive company specific catalysts. Our preferred exposures are NXE-TSX, DML-TSX, PDN-ASX, BOE-ASX, and YCA-AIM.

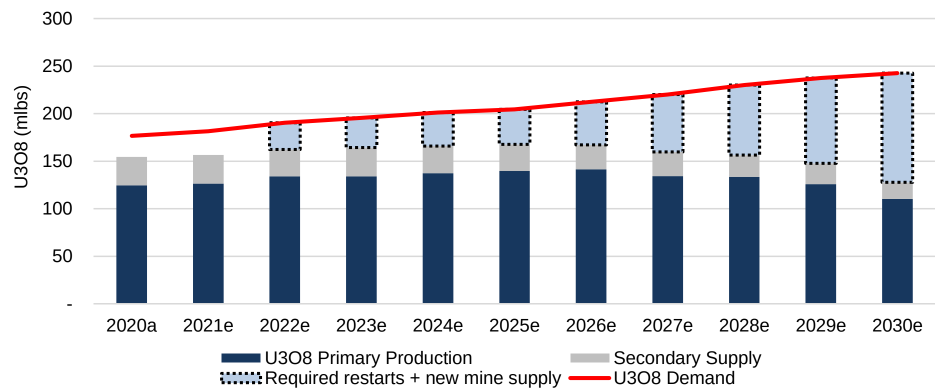
For important information, please see the Important Disclosures beginning on page 22 of this document.

Upgrading LT price forecast to US$65/lb

Global nuclear capacity currently stands at ~384GWe (from 443 operable units) and there are ~60GWe (57 units) under construction. While nuclear capacity continues to grow, primary supply remains under significant pressure with COVID-19 impacts and mine closures continuing to roil the market. Furthermore, the increased activity of financial players is exacerbating a tight and thinly traded spot market (for every 1Mlb SPUT has purchased to date, the spot price has increased ~US$2.05/lb). While we view the impact of this demand as transitory, the impact of our higher demand forecast for end-users is not. Consequently, we have increased our long-term price forecast to US$65/lb (from US$60/lb previously), which is in line with our updated demand and marginal cost of supply forecasts.

"Intense development of new projects will be needed in the current decade to avoid potential supply disruptions. A number of projects at very advanced stages of development are waiting for an improved supply-demand market situation in order to commence uranium production." WNA Nuclear Fuel Report Sep-21

Figure 1: Supply and demand forecast



Source: Company Reports, WNA, UxC LLC, Canaccord Genuity estimates

In this report, we also consider the potential for a near-term uranium price peak, largely attributable to increased secondary demand from financial players. While difficult to predict the magnitude and length of such peak, our price deck has been updated for a potential scenario that considers previous and projected buying from SPUT (up to US$1.3 billion in demand) and the resultant impact on spot prices (~$2.05/lb per 1Mlb purchased). As a result, we now model peak spot pricing of US$80/lb in 2021/2022, before levelling off toward our long-term price of US$65/lb. We do, however, recognize that there is potential upside to our estimates (and downside) predicated on future demand from SPUT as the Trust seeks a NYSE listing, which is likely to result in increased demand that may be well beyond the current US$1.3 billion. Our peak pricing scenario is explained in further detail later in this report.

Figure 2: Revised uranium price deck

		2020a	2021e	2022e	2023e	2024e	2025e	LT
	New	$29.5	$43.0	$72.5	$65.0	$65.0	$65.0	$65.0
Uranium Price (U_3O_8) US$/lb	Old	$29.5	$32.2	$40.0	$45.0	$50.0	$60.0	$60.0
	% Change	*0%*	*33%*	*81%*	*44%*	*30%*	*8%*	*8%*

Source: UxC LLC, Canaccord Genuity estimates

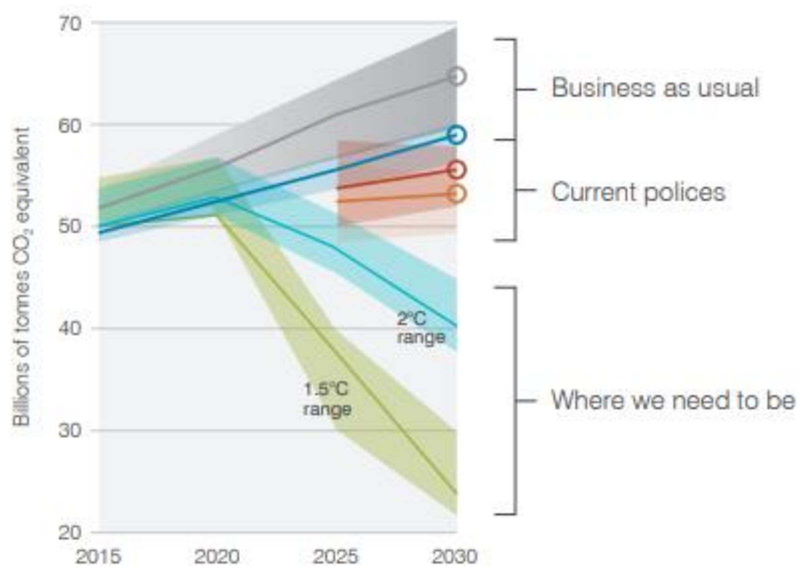
Demand is growing and there is upside potential, in our view

We have increased our demand growth forecast to 2.8%pa to 2035 (2.6% prior) on the back of improved policy sentiment driven by the decarbonisation imperative and electrification megatrend. We continue to believe that uranium will be a critical mineral in a carbon-constrained world.

Key 2021 developments:

- The US's decision to officially re-join the Paris Agreement in January set a particularly bullish tone for 2021. This was closely followed by the announcement that the "American Jobs Plan" would increase incentives for the generation of clean electricity, including funding for the development of advanced nuclear reactors and support for the existing U.S. reactor fleet.
- This support was reinforced by U.S. Secretary of Energy Jennifer Granholm, who said that she is open to promoting subsidies for nuclear power plants. We have since seen the Illinois Senate pass a comprehensive energy package that will, amongst other things, create a process for the state to procure carbon mitigation credits from nuclear plants as the state aims to reach net zero emissions by 2050. This package provides US$700 million in subsidies for Exelon's Byron and Dresden plants, ensuring their viability over the medium term (interestingly, the bill reportedly provided only US$340 million of support for renewables).
    - Our demand forecasts have been updated to reflect the extended reactor life at Byron and Dresden, as well as the forecast completion of construction at Vogtle 3 and 4; the first new nuclear reactor units built in the United States in more than three decades.

Figure 3: Business as usual versus the Paris Agreement



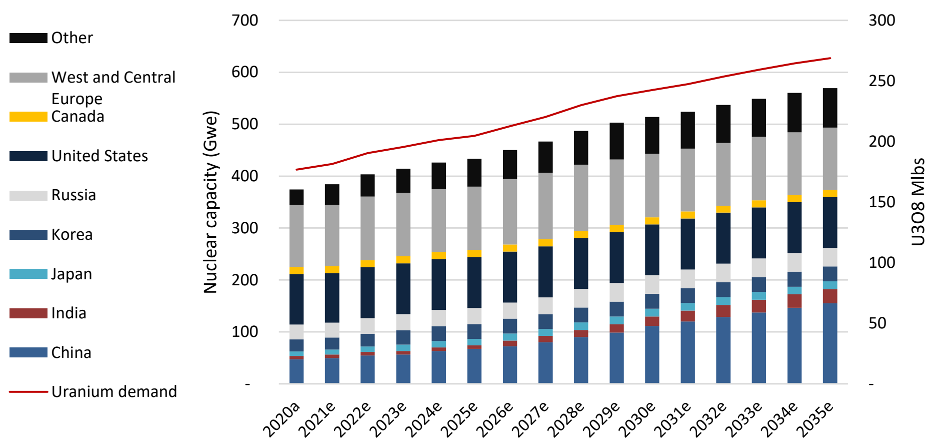
Source: WNA

- In China, the government ratified its 14th Five Year Plan, covering a wide range of economic objectives and giving a broad view of how the country expects to build out its energy infrastructure. The Plan provided strong support for nuclear energy, calling for a near-40% expansion compared to 2020, with 70GWe of gross nuclear power capacity in place by the end of 2025. At that time, Chinese officials indicated an additional 50GWe of nuclear capacity is expected to be under construction, thereby pushing capacity to a targeted 120GWe by 2030 (>2x current capacity).
    - We have modestly increased our demand forecasts for China. We now model 67Gwe of nuclear capacity by 2025 and 111Gwe by

2030. These numbers are still below Chinese targets to be conservative, but above our previous forecasts of 59Gwe and 106Gwe, respectively.

- In April 2021, the European Commission announced that it will include nuclear energy in the European Union's sustainable taxonomy. This could provide a basis for the likes of Germany and France to step back from their aggressive nuclear retirement schedules.
    - We note that France has already confirmed they will run 30-32 of its reactors from 2025 through 2035, keeping uranium consumption above ~17.5mlbs during these years
- Nuclear power capacity is steadily increasing worldwide, with several new countries having expressed an interest in planning or starting nuclear power programme including Belarus, Bangladesh, and Turkey, which are all constructing their first nuclear power plants, and countries such as Egypt and Poland who have contracts signed, and well developed regulatory infrastructure already in place.

Figure 4: CG forecast nuclear capacity by region



Source: Canaccord Genuity estimates

The rise of secondary demand from financial players

2021 heralded a wave of physical purchases from uranium developers and holding companies. Prior to the commencement of SPUT's US$300 million ATM program on August 17 we estimate that purchases from financial players totalled over 20Mlb U_3O_8. While these pounds are likely to return to the market at some point the purchases have assisted in a further tightening of the market, and we note that SPUT has publicly stated that its intention is to hold U_3O_8 in perpetuity, which should alleviate some investors' concerns (importantly this is consistent with Sprott's actions in both its gold and silver funds).

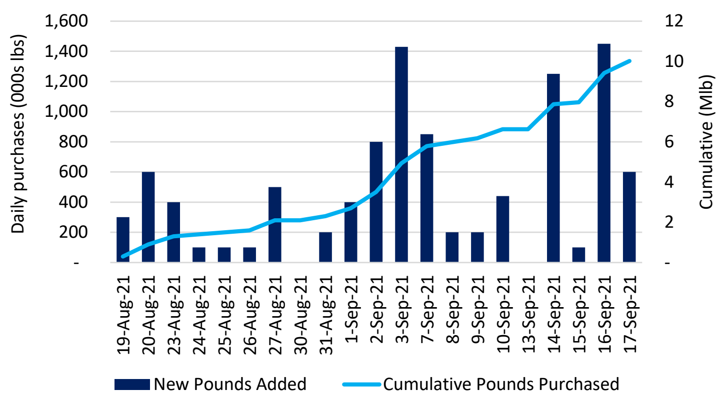
Additionally, given the positive reaction to SPUT's ATM program, we wouldn't be surprised if this encouraged the entry of additional financial players into the market.

SPUT is reloaded and active

Since the launch of its initial US$300 million ATM on August 17, SPUT has purchased 10mlbs of U_3O_8. The Trust now holds 28.3mlbs U_3O_8 and 300,000kgU as UF_6, equating to ~30mlbs of U_3O_8, or ~17% of global demand (CGe 181mlbs in 2021). Uranium is being purchased nearly every day, with the fund having bought pounds in 19 of the 21 possible days that new units could be issued. We note that SPUT can only issue units when its shares trade above NAV (currently 1.0%).

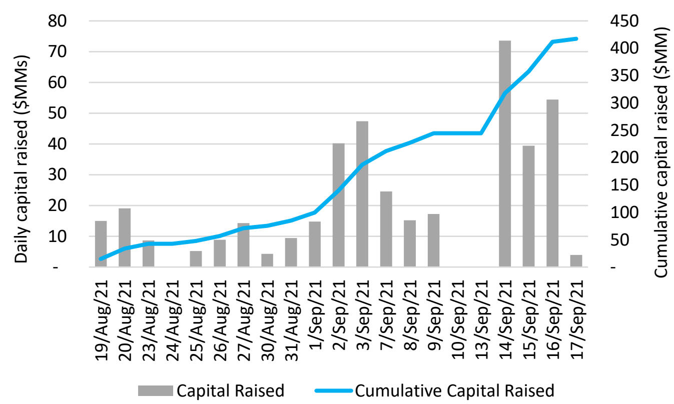
We expect that the Trust will continue to have an active bid in the market. Demand remains extremely strong; on September 14, the Trust hit a record $175 million in trading volume and issued $73.6 million in new units to purchase more uranium. This volume followed the announced upsize of its ATM facility to US$1.3 billion. There is no limit on how many times this facility can be amended, and an amendment only takes ~3 days. In the likely case that its units continue to trade at a premium to NAV, we expect additional buying, putting further upward pressure on spot prices in the near term. Spot prices have reached their highest levels since 2012, up ~64% since the day SPUT initiated its ATM to US$50/lb U_3O_8.

Figure 5: SPUT daily and cumulative purchases



Source: Company Reports, Canaccord Genuity estimates

Figure 6: SPUT capital raised



Source: Company Reports, Canaccord Genuity estimates

Supply discipline aided by concentrated production

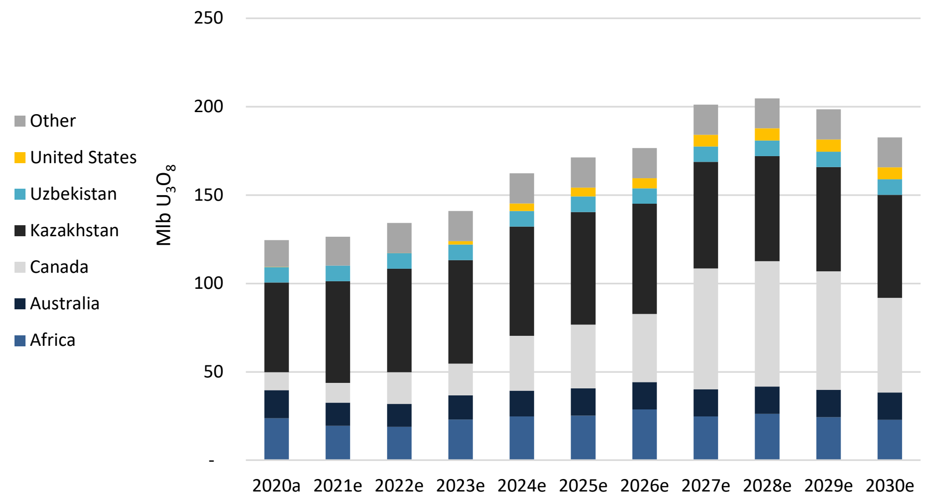
On the supply side, primary production remains highly concentrated with ~70% of supply in the hands of the top five producers and ~80% of supply controlled by state-owned enterprises. In our view, uranium is a hugely strategic material and there is a clear imperative for diversification to increase security of supply (something implicitly acknowledged by recent US policy), and pricing signals will be required to achieve this.

In the meantime, however this situation has assisted in supply side discipline. It is telling, in our view, that Cameco remains short production (~11-13Mlb of purchases guided to in FY21) and that Kazatomprom has extended its 20% production cut through 2023, removing ~13Mlb per year from the market. In short, primary mine supply remains under significant pressure, a situation which has only been compounded by recent COVID-19 suspensions and the shutdown of both Ranger and Cominak (~8Mlbpa). We estimate that over the last five years (2016-2020), annual uranium production has declined by ~24%.

We have updated our primary mine supply forecasts to account for updated company guidance, including lower production out of Kazakhstan. As a result, our primary mine supply forecasts are slightly lower in the near term (-4% 2021-2024), but higher from 2025 onward (+6% through 2030). Our long-term estimates reflect the addition of mine restarts and new greenfield developments as a response to higher uranium prices.

> "*Consistent with our market-centric strategy, we intend to continue exercising commercial discipline, which will result in 2023 production remaining 20% lower than previously planned Subsoil Use Contracts levels, keeping production essentially flat in 2022 and 2023*" - Kazatomprom announcement July 2, 2021

Figure 7: CG forecast primary mine supply



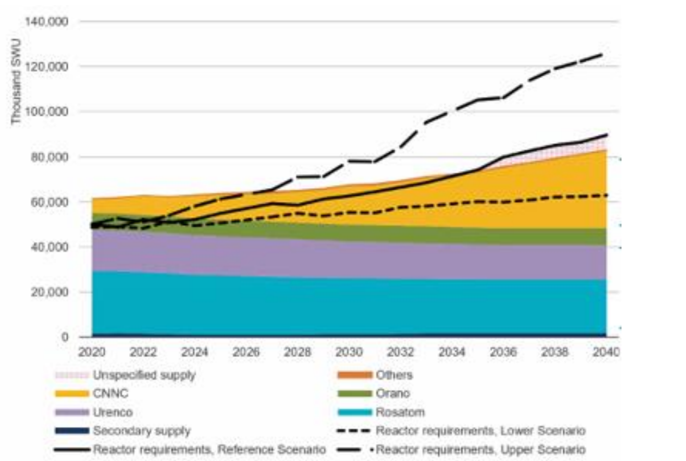
Source: Company Reports, Canaccord Genuity estimates

Secondary supply on the decline – what does SWU suggest for U?

We maintain our view that secondary supply will ultimately shrink towards ~22Mlb per annum in the long term, down from ~30Mlb currently. We expect increases in enrichment demand and SWU prices to reduce the viability of underfeeding going forward, with separative working units now priced at US$55, up from US$36 in May 2020. These higher prices, which reflect higher demand (Figure 8), reduce the economic drivers for secondary supply as when SWU prices are lower, enrichers are more likely to use excess SWU themselves, which increases secondary supply via underfeeding / tails re-enrichment in the U_3O_8 market. Current global enrichment overcapacity results in ~18Mlb U_3O_8 per annum from underfeeding / tails re-enrichment. We expect this number to decline to ~6Mlb by 2035.

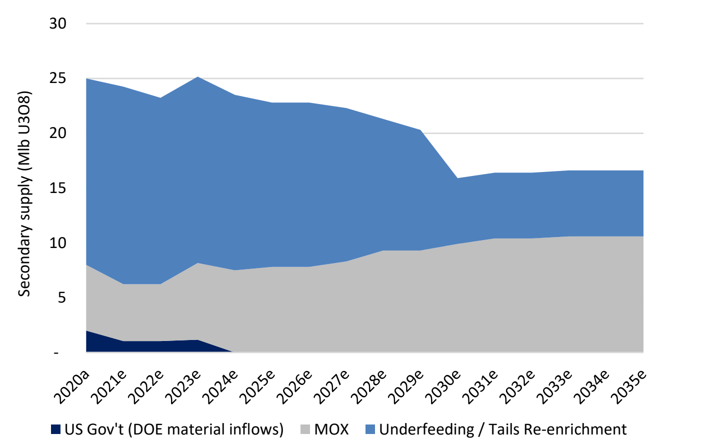
The gradual decrease in underfeeding / tails re-enrichment is expected to be slightly offset by an increase in recycled uranium and plutonium as MOX fuel is forecast to play a more significant role in the latter half of this decade compared to its current share of secondary supply (~20% - Figure 9).

Figure 8: WNA enrichment requirements for SWU



Source: World Nuclear Association

Figure 9: CG forecast secondary supply (ex. inventories)



Source: World Nuclear Association, Canaccord Genuity estimates

As contracts expire, utilities must re-enter the market at acceptable terms

Legacy contracts have kept higher cost uranium mines afloat; however, these contracts are starting to roll off and significant uncovered utility requirements are emerging; UxC estimates 1.4 billion pounds through 2035. We estimate that the average utility currently holds ~3 years forward coverage, which suggests a need to renegotiate long-term contracts by 2023 to meet rising long-term demand (and doesn't mean that a utility will not come to market to negotiate term contracts from 2024 and beyond). In our view, these contracts are likely to be struck at a premium to the current base indicator to (1) stimulate mine restarts and greenfield developments and (2) improve supply certainty to utilities given the negligible effect that U_3O_8 price has on operating cost bases. Based on our cost curve work and modelling of individual projects, we believe that a long-term incentive price in the US$65/lb range is required to achieve this.

Given the rapid rise in spot prices over the past several weeks, we are closely watching to see if this rise in prices will lead to new utility term demand. To date, utilities have remained relatively quiet, with no active formal requests currently reported. We think this is in part due to the sheer speed of the spot price move, which likely caught many by surprise (including ourselves!). Furthermore, with ~3 years coverage, we also believe that some utilities may look to outlast the current wave of buying from SPUT (or at least wait a bit longer to get a better sense of direction and magnitude of this move). Furthermore, we acknowledge the fact that producers may also be unwilling to contract at current price levels given the expectation of a continued rise in prices.

Peak pricing scenario

We have updated our price deck for a potential peak pricing scenario that considers the impact the SPUT's purchases to date and projected buying based on the US$882 million in Trust units yet to be issued.

Our major assumptions are as follows:

- US$882 million remaining of the US$1.3 billion in Trust units are issued
- US$410 million of US$417 million of capital raised to date has already been allocated towards uranium purchases. We assume the remaining $7 million is allocated as well.
- Total ATM proceeds available for uranium purchases = US$889 million
- Since the inception of its ATM, SPUT has purchased an average of 2.3mlbs per week. We assume a modest reduction to purchases per week going forward (2.3mlbs -> 1.5mlbs) as it becomes more difficult for SPUT to source pounds in a tight market.
- The spot price has increased ~US$2.05/lb U_3O_8 per 1Mlb purchased. We assume similar week-over-week price increases based on the quantity of pounds purchased.
- We assume an increase in price paid per week by SPUT, in line with our assumed increased in the spot price.

Based on our simplified scenario (detailed in Figure 10), we believe it is possible for the spot price of uranium to reach a peak price of ~US$80/lb U_3O_8 before year-end. We have adjusted our base case price deck for this potential outcome, but we acknowledge that there are a number of factors that could have a material impact on the direction of prices going forward. Some of these include:

- A dramatic increase in demand for SPUT as a result of its targeted US NYSE listing. Increased demand could result in a further upsize of the ATM facility and additional U_3O_8 purchases
- The potential entry of additional financial players into the market, driving further competition for pounds

- Increased resistance from lobbyists from utilities who may look to resist SPUT's NYSE listing and/or general participation in the market
- A return to long-term contracting by utilities, and the resultant read-through to prices
- A potential default on existing contracts and the utility reaction that follows (i.e., a potential rush to market to secure additional pounds)

These factors could result in material swings to the upside and/or downside. Accordingly, our forecasts represent one of many potential outcomes and are subject to revision in the coming months. While history has shown us that there is indeed a precedent for the U_3O_8 price to surge north of US$100/lb, that same history shows us that those pricing levels could be short-lived. Accordingly, our long-term price remains predicated on the marginal cost of production.

Our updated price deck models peak pricing of US$80/lb in Q4 2021 and Q1 2022, before levelling off towards our revised long-term price of US$65/lb by 2023 (Figures 2 and 11).

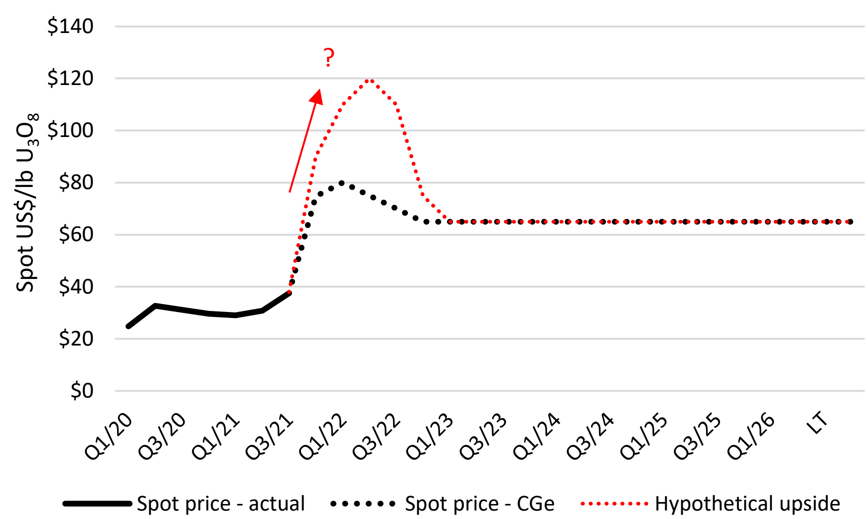
Figure 10: Simplified peak pricing scenario

	19-Sep	26-Sep	3-Oct	10-Oct	17-Oct	24-Oct	31-Oct	7-Nov	14-Nov
Proceeds available for SPUT purchases - start of week	889.4	783.3	669.0	562.2	465.7	364.6	258.9	148.6	33.7
Price at start of week	$ 51.00	$ 55.10	$ 59.20	$ 62.79	$ 65.86	$ 68.94	$ 72.01	$ 75.09	$ 78.16
Price appreciation per week	$ 4.10	$ 4.10	$ 3.59	$ 3.08	$ 3.08	$ 3.08	$ 3.08	$ 3.08	$ 0.88
Price at end of week	$ 55.10	$ 59.20	$ 62.79	$ 65.86	$ 68.94	$ 72.01	$ 75.09	$ 78.16	$ 79.04
CGe average SPUT price paid	$ 53.05	$ 57.15	$ 60.99	$ 64.33	$ 67.40	$ 70.48	$ 73.55	$ 76.63	$ 78.60
CGe mlbs purchased*	2.00	2.00	1.75	1.50	1.50	1.50	1.50	1.50	0.43
Proceeds used to purchase pounds	106.1	114.3	106.7	96.5	101.1	105.7	110.3	114.9	33.6
Proceeds available for SPUT purchases - end of week	783.3	669.0	562.2	465.7	364.6	258.9	148.6	33.7	0.0

*While SPUT has been purchasing ~2.3mlbs per week, we expect a slow down in purchases (2mlbs -> 1.5mlbs per week) as it becomes more difficult to source pounds

Source: Company Reports, Canaccord Genuity estimates

Figure 11: CG forecast price deck



Source: UxC LLC, Canaccord Genuity estimates

Upgrading long-term uranium price to US$65/lb

Based on our updated demand and supply forecasts and uranium cost curve, we believe that a long-term incentive price in the US$65/lb range will be required to stimulate supply to meet growing long-term demand (2.8%pa CAGR though 2035). As seen in Figures 12 and 13:

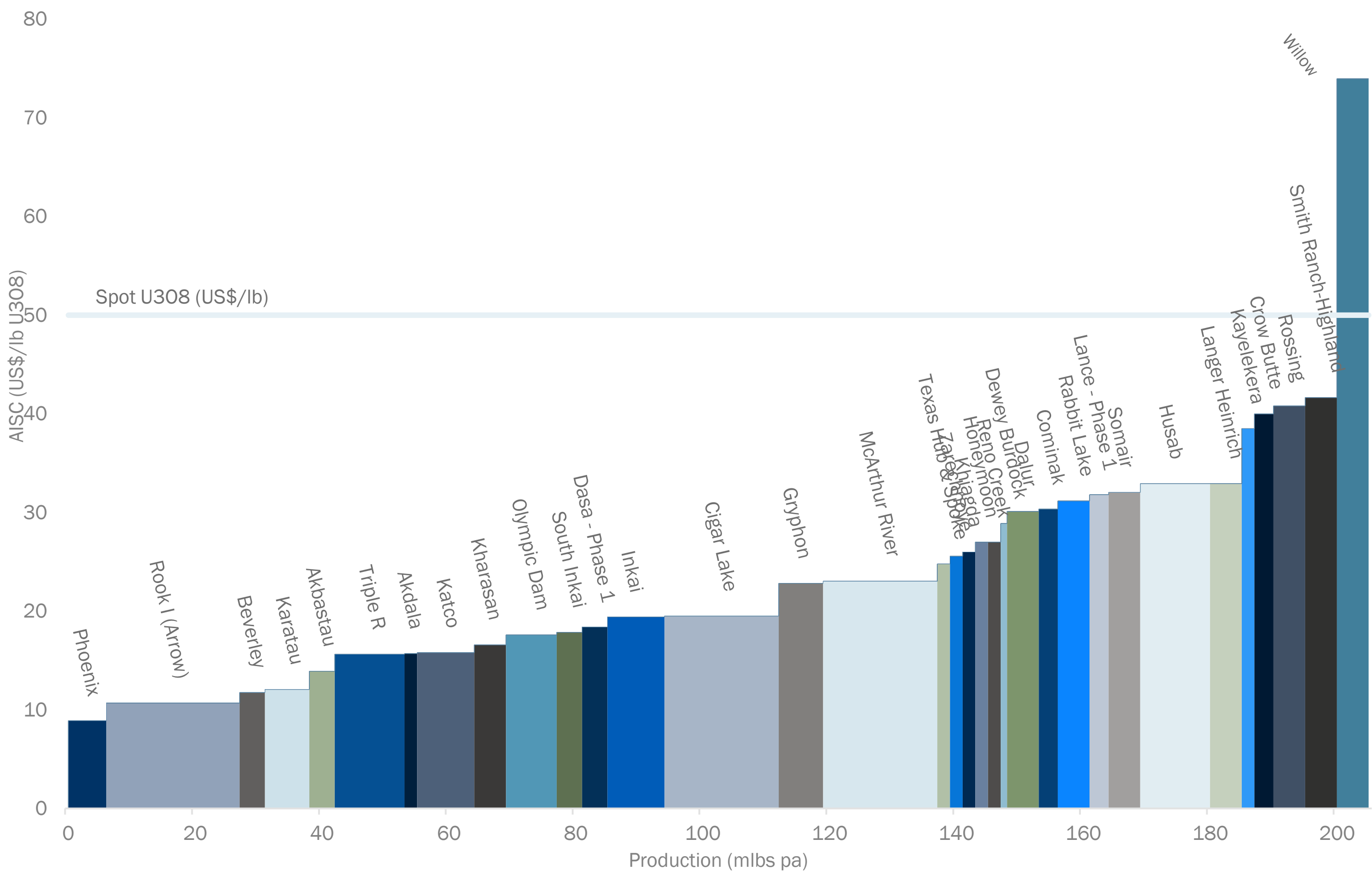
- We continue to expect the market to be in a meaningful structural deficit over the next few years even before financial players are considered.
  - We note that the below SxD model does not consider the impact of ~30mlbs of U_3O_8 purchases YTD from these players (and counting).
- With a medium-term improvement in prices, we forecast a restart of current curtailments (i.e., KAP 20% reduction, McArthur River, Langer Heinrich) and increased investment in advanced stage development projects (i.e., Arrow, Wheeler River). Once these curtailments reverse (2024-2025), we forecast a slightly more balanced market.
- Furthermore, given a near decade of weak market conditions, we continue to see the potential for significant sustainable market deficits from 2029 onward. In our view, this supports higher long-term prices that will stimulate investment in new supply.
- The need for new supply will be further emphasized as some of the world's largest mines are forecast to come offline in the next decade (i.e., Cigar Lake in 2029; 18Mlb pa).
- In addition, while we acknowledge the fact that the incentive price for our Tier 1 development projects (i.e., Arrow, Wheeler River) is below our long-term uranium price, we note that these projects have significant upfront capital costs (in addition to outstanding permits). Based on our discussions with management, we do not expect these projects to be sanctioned at a price below US$60/lb. Our supply-demand forecasts also indicate that these projects alone will not be sufficient to meet growing long-term demand.
- In our view, Tier 2 and Tier 3 projects will be required to meet growing demand, and these projects have notably higher incentive prices.

Figure 12: Canaccord Genuity supply demand model

(in million lbs)	2020A	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Forecast U308 Primary Demand	177	181	190	196	201	205	213	220	230	237	243
Forecast U308 Mine Production	125	126	134	141	162	171	177	201	205	198	183
Net Mine Production Surplus/(Deficit)	**(52)**	**(55)**	**(56)**	**(55)**	**(39)**	**(33)**	**(36)**	**(19)**	**(25)**	**(39)**	**(60)**
Forecast Secondary Supply	30	30	28	30	29	28	28	27	26	25	21
Net Forecast U308 Supply	**155**	**157**	**162**	**171**	**191**	**199**	**204**	**228**	**231**	**224**	**204**
Market Surplus/(Deficit) - incl. restarts + new supply	(22)	(25)	(28)	(24)	(10)	(6)	(8)	8	1	(14)	(39)
Demand growth %	0%	3%	5%	3%	3%	2%	4%	4%	4%	3%	2%
Primary mine production growth %	-12%	2%	6%	5%	15%	6%	3%	14%	2%	-3%	-8%
Total Chinese demand Gwe	48	50	54	57	63	67	73	80	90	99	111
Spot U3O8 US$/lb	$29.53	$42.99	$72.50	$65.00	$65.00	$65.00	$65.00	$65.00	$65.00	$65.00	$65.00

Source: WNA, UxC LLC, Canaccord Genuity estimates

Figure 13: AISC cost curve for producers and select advanced developers (US$/lb, excludes development capex)



Source: Company Reports, Canaccord Genuity estimates

Figure 14: Incentive price of select development projects

Project	Location	Project Stage	Production (mlbs pa)	AISC (US$/lb)	Project Capex (US$MMs)	Incentive Price (15% IRR)
Honeymoon	Australia	Production Idled	2.45	$225.62	$80	$38.50
Lance	Wyoming, USA	Production Idled	3	$31.80	$119	$42.50
Langer Heinrich	Namibia	Production Idled	5	$32.92	$81	$36.00
Michelin**	Labrador, Canada	Development	6.5	$29.45	$902	$63.96
Reno Creek	Wyoming, USA	Development	2	$27.00	$60	$44.50
Roca Honda	New Mexico, USA	Development	1.5	$36.33	$254	$65.40
Rook I - Arrow	Saskatchewan, Canada	Development	21.7	$10.69	$1,039	$23.72
Smith Ranch-Highland	Wyoming, USA	Production Idled	1.5	$41.64	$50	$55.55
Texas Hub & Spoke	Texas, USA	Production Idled	2	$24.78	$45	$37.00
Triple R	Saskatchewan, Canada	Development	11	$15.63	$942	$43.65
Wheeler River	Saskatchewan, Canada	Development	7.7	$13.19	$757	$27.78

*assumes CAD:USD fx rate 0.80
**dated 2009 PEA study

Source: Company Reports, Canaccord Genuity estimates

Uranium equities

We have updated our estimates for each of the companies we cover to reflect our revised uranium price deck. Our revised target prices and ratings are presented in Figure 15 below.

While we remain bullish on uranium, we recognize the opaque nature of the market and inherent risks in uranium mining and project development. Accordingly, and despite recent market optimism, we continue to prefer companies with a sound balance sheet and positive company-specific catalysts. Our preferred equity exposures are NexGen Energy (**NXE**-TSX) and Denison Mines (**DML**-TSX) in North America; Paladin Energy (**PDN-**ASX) and Boss Energy (**BOE**-ASX) in Australia; and Yellow Cake plc (**YCA**-AIM) in the UK.

Figure 15: Revisions to target prices and ratings

		Target Price		Rating		Share Price	% Return
		New	**Previous**	**New**	**Previous**	**2021-09-21**	
Boss Energy Ltd.	BOE-ASX	A$0.36	A$0.23	SPEC BUY	SPEC BUY	A$0.28	31%
Cameco Corp.	CCO-TSX	C$34.00	C$27.00	BUY	BUY	C$27.00	26%
Denison Mines Corp.	DML-TSX	C$3.00	C$2.50	SPEC BUY	SPEC BUY	C$1.80	67%
Fission Uranium Corp.	FCU-TSX	C$1.10	C$0.80	SPEC BUY	SPEC BUY	C$0.90	22%
Lotus Resources Ltd.	LOT-ASX	A$0.28	A$0.21	HOLD	HOLD	C$0.28	0%
NexGen Energy Ltd.	NXE-TSX	C$10.00	C$7.00	SPEC BUY	SPEC BUY	C$5.99	67%
Paladin Energy Ltd.	PDN-ASX	A$1.02	A$0.60	BUY	BUY	A$0.87	17%
Peninsula Energy Ltd.	PEN-ASX	A$0.30	A$0.21	SPEC BUY	SPEC BUY	A$0.28	7%
Sprott Physical Uranium Trust	U.UN-TSX	C$21.00	C$15.00	BUY	BUY	C$16.77	25%
Uranium Energy Corp.	UEC-US	US$4.25	US$4.25	SPEC BUY	SPEC BUY	US$3.09	38%
Uranium Royalty Corp.	URC-TSX	US$7.00	US$7.00	SPEC BUY	SPEC BUY	US$5.58	25%
Yellow Cake Plc	YCA-LON	£5.05	£2.95	BUY	BUY	£3.58	41%

Source: Factset, Canaccord Genuity estimates

Figure 16: Global uranium comps

Uranium Coverage	Ticker	Price 9/21/2021	Market Cap	Enterprise Value	Rating	Target Price	Return to Target	P/NAV	Primary Project(s)	Metal(s)	Location(s)	Analyst
Boss Energy Ltd.	BOE-ASX	A$0.28	A$627	US$326	Spec. Buy	A$0.36	31%	0.76	Honeymoon	U_3O_8	South Australia	JB
Cameco Corp.	CCO-TSX	C$27.00	C$10,739	US$8,384	Buy	C$34.00	26%	1.38	McArthur River, Cigar Lake, Inka	U_3O_8	Canada, Kazakhstan	KL
Denison Mines Corp.	DML-TSX	C$1.80	C$1,450	US$1,082	Spec. Buy	C$3.00	67%	0.96	Wheeler River	U_3O_8	Saskatchewan, Canada	KL
Fission Uranium Corp.	FCU-TSX	C$0.90	C$582	US$426	Spec. Buy	C$1.10	22%	1.03	Triple R	U_3O_8	Saskatchewan, Canada	KL
Lotus Resources Ltd.	LOT-ASX	A$0.28	A$269	US$150	Hold	A$0.28	0%	1.00	Kayelekera	U_3O_8	Malawi	JB
NexGen Energy Ltd.	NXE-TSX	C$5.99	C$2,852	US$2,101	Spec. Buy	C$10.00	67%	0.77	Rook I - Arrow	U_3O_8	Saskatchewan, Canada	KL
Paladin Energy Ltd.	PDN-ASX	A$0.87	A$2,330	US$1,385	Spec. Buy	A$1.02	17%	0.85	Langer Heinrich	U_3O_8	Namibia	JB
Peninsula Energy Ltd.	PEN-ASX	A$0.28	A$279	US$189	Spec. Buy	A$0.30	7%	0.93	Lance Uranium Projects	U_3O_8	Wyoming, USA	JB
Sprott Physical Uranium Trust	U-TSX	C$16.77	C$1,427	NA	Buy	C$21.00	25%	1.00	Holding Company	U_3O_8, UF_6	Various	KL
Uranium Energy Corp.	UEC-US	US$3.09	US$720	US$652	Spec. Buy	US$4.25	38%	0.84	Texas Portfolio, Reno Creek	U_3O_8	Texas & Wyoming, USA	KL
Uranium Royalty Corp.	URC-TSX	C$5.58	C$464	US$330	Spec. Buy	US$7.00	25%	1.82	Royalty Company	U_3O_8	Various	KL
Yellow Cake Plc	YCA-LON	£3.58	£549	US$308	Buy	£5.05	41%	0.92	Holding Company	U_3O_8	Various	SC
Uranium Average								**1.02**				

*KL = Katie Lachapelle, Canaccord Genuity Corp (Canada), JB = James Bullen, Canaccord Genuity (Australia) Ltd, SC = Sam Catalano, Canaccord Genuity Ltd (UK)

Source: Factset, Canaccord Genuity estimates

Boss Energy – thinking about a Global Honeymoon

BOE-ASX: A$0.28 | SPEC BUY | A$0.36 TP (from A$0.23 TP)

BOE shares are up 155% year to date as the company has continued to progress its flagship Honeymoon development, raised capital to purchase physical uranium and benefited from improved uranium sentiment.

BOE's decision to acquire 1.25Mlb of physical uranium at ~US$30.5/lb, a price which is below the current estimated AISC cost at Honeymoon, has proven prescient. It (1) improves security/certainty of supply for potential offtakers; (2) provides contracting optionality; (3) provides funding optionality; (4) enhances market connectivity; and (5) provided physical exposure at what proved to be an opportune time.

Fully permitted, low capital intensity and fast restart potential

As a brownfield, restart development Honeymoon has a number of competitive advantages versus its greenfield peers, and the Enhanced Feasibility Study (EFS) released in June provided further evidence of this (see note).

Potential catalysts

- **Term market activity** in the medium term is likely to increase, in our view, on the back of improving market sentiment and increasing uncovered demand.
- **Exploration update:** passive seismic to recommence in the near term.

Increasing target price to A$0.36/sh; maintain SPEC BUY rating: Our revised target price, which is primarily NPV8 based, increases 56% due to our higher long-term price deck and inclusion of value for BOE's substantial 71Mlb Global Honeymoon resource. We retain our SPEC BUY rating, please see stand-alone note for further details of our price target upgrade.

Cameco Corp – Uranium kings

CCO-TSX: C$27.00 | BUY | C$34.00 TP (from C$27.00 TP)

CCO shares are up 58% year to date, on the back of improving uranium market sentiment and positive company-specific catalysts such as the signing of new long-term contracts and a partial resolution of its long-running dispute with the CRA.

World-class assets, positioned for a uranium price recovery

We continue to believe that Cameco is well positioned to navigate ongoing market volatility with a strong balance sheet (net cash $180 million + $1 billion undrawn facility) and a portfolio of world-class assets. With decarbonization emerging as the megatrend of the next decade, we've seen increasing demand for nuclear energy, and therefore uranium. In our view, this backlog of uranium demand presents a substantial opportunity of Cameco in the coming years, as it looks to replenish its long-term contract book at higher prices.

Relative to peers, we believe Cameco offers long-lived, tier-one, permitted, proven operating assets in safe jurisdictions. The company is also a commercial producer and not a state-owned enterprise, which provides customers with protection from trade policy exposure. We expect these competitive advantages to be valued by utilities as they look to negotiate new long-term contracts at higher prices. In our view, the current rising uranium price environment has helped to shift future price expectations up and puts Cameco in a better negotiating position.

A disciplined approach

Cameco recently communicated that it would remain disciplined in its approach to contracting and any potential restart of its operations on care and maintenance. In the last cycle, Cameco rushed into long-term contracting and gave away upside when the spot price rose dramatically. As a result of this event, the company's contracting strategy has changed dramatically, and management made it clear that it will ensure that market leverage is retained going forward. With respect to McArthur River, there is currently no plan to restart the mine. Cameco has exercised supply-side discipline for over four years since the mine shutdown, and this is not expected to change going forward. In the case of a restart, it would take a minimum of 18 months to reach targeted capacity.

Potential catalysts

- **Term market activity** in the medium term is likely to increase, in our view, on the back of improving market sentiment and increasing uncovered demand. We look forward to the signing of additional long-term contracts.
- **A full resolution of the ongoing CRA dispute** would free up a significant portion of Cameco's financial capacity ($303 million in cash)
- **Potential M&A**

Increasing target price to C$34.00/sh; maintain BUY rating: We are increasing our target price on CCO to C$34.00/sh, from C$27.00/sh previously. Our target price is now based on 1.6x NAV, measured as at Oct 1, 2022; our increased multiple (previously 1.5x) reflects recent trading ranges and our improved outlook. Our revised target price is based on an increase in our 12-month NAVPS to C$20.95/sh, from C$18.06/sh previously, primarily related to our higher long-term price deck. CCO is currently trading at 1.4x NAV, within its historic range of 0.6x – 2.4x.

Denison Mines – big Wheel(er) keep on turnin'

DML-TSX: C$1.80 | SPEC BUY | C$3.00 TP (from C$2.50 TP)

Denison shares are up 114% year to date, driven by improving uranium market sentiment and the execution of multiple company-specific catalysts including the acquisition of 50% of JCU Exploration and the discovery of additional high-grade mineralization at Phoenix. In addition, DML was the first of many junior developers to announce a strategic purchase of uranium, having acquired 2.5mlbs U_3O_8 with the intention of holding uranium as a long-term capital asset to help fund its flagship Wheeler River project.

A large, high-grade, low-cost project

Looking out to year end, we expect Denison to continue to advance and de-risk its 95%-owned flagship project, Wheeler River. With a resource of 1.9Mt grading 3.2% U_3O_8 (including 19.1% at Phoenix), Wheeler River is one of the world's highest-grade and lowest-cost undeveloped uranium projects. We anticipate increased interest in the project as momentum continues to build in the uranium sector and Denison further de-risks the project through additional test work, permitting and final Feasibility. Our mine plan assumes first production in 2026 at a capital cost of C$335M.

De-risking is critical

Recall that Denison plans to be the first company to use in-situ recovery mining in the Athabasca Basin. In 2021, the company installed a five-spot Test Pattern consisting of commercial scale wells. The results of this test should provide all the data necessary to permit and plan for an in-ground lixiviant test in 2022 – a major de-risking milestone for the project. Additional field test work in 2021 is to be incorporated into a final Feasibility Study (CGe 2022). The final Feasibility is expected to include an updated estimate of mineral resources, an optimized mine design reflecting the decision to adopt a freeze wall (rather than a dome), processing plant optimization based on the decision to increase the ISR head-grade to 15g/L, and a Class 3 capital cost estimate.

Potential catalysts:

- **Results of in-situ recovery test work** should help further de-risk Denison's choice of mining method
- **Advancement of EA level work/EIS submission**, on track for submission in 2022
- **Economic implications of freeze wall design** vs. freeze dome design, given the expected reduction in initial capital

Increasing target price to C$3.00/sh; reiterate SPEC BUY rating: We are increasing our target price on DML to C$3.00/sh, from C$2.50/sh previously. Our target price remains based on 1.4x NAV, now measured as at Oct 1, 2022. Our revised target price reflects an ~17% increase in our NAVPS due to our higher long-term price deck. We have also updated our model to include the appreciation in DML's U_3O_8 holdings (~2.5mlbs) based on our projected uranium price forecasts.

Given the 67% implied return to our target, we reiterate our SPEC BUY rating.

Fission Uranium – fishing for more U

FCU-TSX: C$0.90 | SPEC BUY | C$1.10 TP (from C$0.80 TP)

Fission continues to accelerate development work on Triple R, its high-grade flagship asset located in the southwest Athabasca Basin. With a total resource of 135mlbs, the project is expected to produce ~11mlbs per year, at a first quartile cash cost of US$7.18/lb. Upfront capital associated with the project is ~C$1.2 billion. In our view, the Triple R project is likely to be developed alongside another large-scale project in the southwest Athabasca Basin (such as NexGen's Arrow project) given inherent synergies that may exist in the development and operation of these assets.

Successful resource expansion drilling bodes well for mine-life extension

In 2021, Fission completed two successful drill programs targeting the R780E and R840W zones. All 45 holes were successful, having hit significant high-grade mineralization in 13 holes at R780E and 19 holes at R840W. Based on the results of the winter and summer drill programs, we expect a significant upgrading of resources from the inferred to indicated category for inclusion in the upcoming Feasibility Study (late 2022). It is important to note that no resources from the R840W zone are currently included in the PFS mine plan. Accordingly, with an upgrading of resources, management is targeting a mine life closer to 10 years in the Feasibility Study, an increase above the current mine life of seven years.

Share performance likely to be predicated on market sentiment

Although still far from production (CGe 2030), we remind investors of our view that Triple R is one of the best undeveloped uranium assets globally (high-grade, low-cost, safe jurisdiction). Accordingly, Fission's pounds provide strong leverage to rising uranium prices. We expect increased interest in the project as the market continues to strength; however, in the near-term, share price performance is likely to be predicated on uranium price movements, given a lack of significant company-specific catalysts. We note that FCU's shares are up 134% year to date.

Potential catalysts:

- Project Description submission and acceptance (late 2021)
- Assay results from summer 2021 drill program
- Final Feasibility Study (late 2022)

Increasing target price to C$1.10/sh; reiterate SPEC BUY rating: We are increasing our target price on FCU to C$1.10/sh, from C$0.80/sh previously. Our target price is now based on 1.2x NAV, measured as at October 1, 2022. Our revised target price reflects an increase in our 12-month NAVPS to C$0.90/sh, from

$0.79/sh previously, primarily related to our higher long-term price deck. We have also updated our multiple to account for recent trading ranges.

Given the 22% implied return to our target, we reiterate our SPEC BUY rating.

Lotus Resources – reset and ready

LOT-ASX: A$0.28 | HOLD | A$0.28 TP (from A$0.21 TP)

Lotus Resources (LOT-ASX) is focused on restarting the idled Kayelekera Uranium Project (KUP, 85% LOT) in Malawi, which currently has a gross Mineral Resource totalling 27.1Mt at 630ppm U_3O_8 for 37.5Mlb U_3O_8. While not at the bottom of the cost curve, we believe mines such as KUP will be required in the medium term to alleviate the current primary supply deficit.

Bringing back a 3.0Mlb producer for US$50mn

KUP produced 11Mlbs over its 4-year commercial life and benefits from US$200mn in sunk infrastructure, which has been left in good condition.

LOT's restart study highlighted two options for bringing KUP back online: (1) an eight-year life of mine, producing 16.4Mlbs U_3O_8 with average head grade of ~900ppm U_3O_8 and (2) a 14-year life of mine, producing 23.8Mlbs U_3O_8 with treatment of stockpiles from year eight (average head grade ~680ppm U_3O_8). For our modelling and valuation we have focused on the latter - key highlights include:

- Upfront capex of US$50m and average LOM production of 1.8Mlb per annum.
- LOM AISC of US$39.8/lb.
- CGe unrisked NPV10 of $289m using a long-term uranium price of US$65/lb.

Definitive feasibility study could highlight improved AISC

The company has commenced its DFS with results expected in mid-2022. Given recent encouragement from ore-sorting trials, there is a distinct possibility that the AISC could decrease materially from the re-start study and annual production could increase.

Potential catalysts

- **DFS progress**
- **Exploration updates -** Multiple near-mine targets have been identified and drilling has commenced. Drilling at the Milenje Hills high-grade Rare Earth (NdPr) discovery has also commenced
- **Term market activity** in the medium term is likely to increase, in our view, on the back of improving market sentiment and increasing uncovered demand.

Increasing target price to A$0.28/sh; retain HOLD rating: Our revised target price, which is primarily NPV10 based, increases 33% due to our higher long-term price deck and higher exploration/resource valuation.

NexGen Energy – a prime acquisition target

NXE-TSX: C$5.99 | SPEC BUY | C$10.00 TP (from C$7.00 TP)

NexGen's shares have returned 71% year to date. The company started the year off strong, releasing the results of a maiden Feasibility Study on its Rook I Project, host to the high-grade Arrow deposit.

The world's best undeveloped uranium project

With a base case after-tax NPV8% of C$3.5 billion, an IRR of 52.4%, and a payback period of only 0.9 years (based on US$50/lb U_3O_8 – in line with the current spot price), the Rook I Feasibility Study reinforced our view that NexGen is advancing the world's best undeveloped uranium project. As market fundamentals improve and the project advances closer to production, we believe NXE will be a prime acquisition target for existing major uranium producers and large diversified mining/energy companies looking to improve their ESG profile.

Recent bought deal supports project early works

On the back of its Feasibility Study, NexGen completed a bought deal financing for total gross proceeds of ~C$173 million (over-allotment option exercised). With $234 million in cash as of June 30, we believe the company's balance sheet is well positioned to support project early works of ~C$158 million (airstrip, surface clearing, geotechnical work for foundations, etc). These pre-commitment early works are expected to de-risk the timeline to first production (CGe 2027).

Positive permitting milestones on deck

NexGen continues to advance project permitting. Based on our latest discussions, the final Environmental Impact Statement (EIS) is expected to be completed by year-end 2021. The submission of this document to regulators signals the start of a two-year permitting timeline. Management is very confident that permits will be received within this time frame, based on ongoing discussions with regulators and both the provincial and federal government. With the final permitting document nearing completion, NXE is beginning to advance project financing discussions. We continue to believe a significant portion of the project can be funded via debt (CGe 65%), given forecast free cash flow of >$1 billion per year during NXE's first five years of production.

Potential catalysts:

- **Signing of Impact Benefit Agreements** with the remaining two First Nations in proximity of the project (two already signed).
- **Submission of draft EIS** in Q4 2021, signalling the start of a two-year permitting timeline.
- **Initiation of detailed engineering and project early works**
- **A project financing announcement**: NexGen expects these discussions to accelerate following submission of its EIS in Q4 2021.
- **Potential M&A**

Increasing target price to C$10.00/sh; reiterate SPEC BUY rating: We have updated our model for our higher long-term uranium price deck and the appreciation of NXE's ownership stake in IsoEnergy (+198% YTD). As a result, our 12-month NAV has increased 16% to C$8.26/sh, and we are increasing our target price on NXE to C$10.00/sh, from C$7.00/sh previously. Our target price is now based on 1.2x NAV, measured as at October 1, 2022.

Given the 67% implied return to our target, we reiterate our SPEC BUY rating.

Paladin Energy – large & liquid U leverage

PDN-ASX: A$0.87 | BUY | A$1.02 TP (from A$0.60 TP)

PDN has been a standout performer in 2021 with its shares up 263% YTD. The company conducted a transformational $219mn raising in March to remove its high-cost debt and position itself for a fast re-start at Langer-Heinrich when the market opportunity arises.

Proven product, low capital intensity and fast restart potential

Langer Heinrich (75% PDN) is a proven and well-known asset in the tight-knit uranium community. With 11 years and 43Mlb of production history, we believe the confidence in this asset is likely a lot higher than its green and in some cases brownfield peers.

Over US$400mn has been sunk at LH, and based on the detailed re-start study completed in 2020, it will only require US$81mn to re-start, of which US$47mn is allocated to process optimisation work. With an ~9-month lead time to first production, sector leading capital intensity and reasonable AISC of US$32/lb, we remain confident that LH will be one of the first projects to restart as the market tightens.

Potential catalysts

- **Continued progression of critical-path restart plan elements:** (1) ongoing optimisation of tailings management, stockpile and Run Of Mine blending strategies; (2) Completion of the Grade Control dilution study, validating assumptions in the Mineral Resource model; and (3) updates of critical engineering documents and dynamic modelling scenario analysis.
- **Term market activity** in the medium term is likely to increase, in our view, on the back of improving market sentiment and increasing uncovered demand.
- **Exploration update:** PDN has significant exploration assets in Canada and Australia, which have a collective net resource of 265.6Mlb U_3O_8 and have seen >US$100mn spent on them. We believe these assets are under-appreciated by the market and look forward to PDN providing more details on their potential.

Increasing target price to A$1.02/sh; retain BUY rating: Our revised target price, which is primarily NPV8 based, increases 70% due to our higher long-term price deck and higher pound in the ground resource valuation for non-LH assets. We retain our BUY rating; please see stand-alone note for further details of our price target upgrade.

Peninsula Energy – on the improve

PEN-ASX: A$0.28 | SPEC BUY | A$0.30 TP (from A$0.21 TP)

PEN shares are up 133% year to date with its most recent update on progress at its low pH demonstration at the Lance Uranium Project highlighting sustained improvement in performance and increased understanding of well pattern construction.

Tighter well spacing continues to deliver better outcomes

- A key decision post the February update, which highlighted that two of the three demonstration patterns were taking longer than forecast to achieve the required pH, was to install two additional injection wells into each of the patterns.
- This tighter spacing led to a rapid fall in pH and since late February, the recovery stream uranium grade has quadrupled. It is now in the 50mg/L range (with one production well consistently yielding solution grades of 80-

100mg/L). While it has taken about one month longer than the feasibility study estimated, this is a very good result. With increasing uranium grades, PEN has activated the pilot ion exchange uranium recovery circuit and the company expects to produce yellow cake in the SepQ.

- The demonstration continues to consume more acid than originally forecast but based on work to date it appears that this increased consumption is being driven by pattern dimensions and screening design rather than mineralogy.
- Field demonstration expected completion unchanged (1H-2022).

Potential catalysts

- **Continued progression of field demonstration**
- **Term market activity** in the medium term is likely to increase, in our view, on the back of improving market sentiment and increasing uncovered demand.
- **US Strategic Reserve;** PEN, with its mine in Wyoming, is one of the only ASX stocks which can directly benefit from the proposed US strategic reserve.

Increasing target price to A$0.30/sh; retain SPEC BUY rating: Our revised target price, SOTP based, increases 42% primarily due to our higher long-term price deck and de-risking of the development. We retain our SPEC BUY rating.

Sprott Physical Uranium Trust – Igniting the fire

U.UN-TSX: C$16.77 | BUY | C$21.00 TP (from C$15.00 TP)

The Sprott Physical Uranium Trust began trading on the Toronto Stock Exchange on July 19, following the completion of its plan of arrangement with Uranium Participation Corp. The primary goal of SPUT as a holding company is to offer investors exposure to the uranium spot price through buying and holding of physical uranium (similar to its predecessor). As such, the performance of the Trust is highly correlated with movements in the spot price, which are directly impacted by SPUT's purchasing in the market. To date, its units have traded up 65%, in line with the rapid rise in prices.

SPUT is executing its strategy; 10mlbs purchased to date

Since its launch, the Sprott Physical Uranium Trust has purchased ~10mlbs of U_3O_8. The Trust now holds 28.3mlbs U_3O_8 and 300,000kg U as UF_6, equating to ~30mlbs of U_3O_8 equivalent. Unlike its predecessor, these pounds are being purchased and reported daily, with purchases having been made nearly every day since the ATM launched. Spot prices have quickly reacted, sitting at their highest levels since 2012. Looking forward, we expect U.UN's unit price to progressively appreciate towards our target, as the uranium price similarly moves higher.

US listing and ATM upsize likely on deck

The Trust is targeting a NYSE listing sometime in 2022. This listing is likely to drive additional demand and liquidity. Based on current inflows into the Trust, we expect SPUT to initiate an additional ATM program, potentially much higher than its current US$1.3 billion, allowing the Trust to continue its active purchasing program throughout 2022.

Potential catalysts

- **NYSE listing,** likely to drive additional liquidity and demand
- **Additional spot purchases** and a resultant move higher in the spot uranium price

Increasing target price to C$21.00/sh; reiterate BUY rating: We have updated our estimates for the recent uranium purchases. Based on our updated 12-month uranium price forecast of ~$65/lb U_3O_8, SPUT's current holdings, and working capital adjustments, we forecast a NAVPS of C$21.19/lb. Our revised target price of C$21.00 (previously C$15.00/sh) is now based on 1.0x NAV (from 1.2x).

Given the 25% implied return to our target, we reiterate our BUY rating.

At the current spot uranium price of ~US$50/lb U_3O_8 and based on U.UN's current unit price of C$16.77/sh, the Trust is currently trading in line with its underlying NAV.

Uranium Energy Corp – US uranium leverage

UEC-NYSE: US$3.09 | SPEC BUY | US$4.25 TP (unchanged)

Uranium Energy Corp's (UEC) shares have returned 75% year to date. The company remains focused on advancing its portfolio of fully permitted projects in the United States towards a production decision. Its production-ready assets include its Hub & Spoke in-situ recovery portfolio in South Texas and the Reno Creek project in Wyoming. When we compare UEC to other developers under our coverage, its projects are higher cost but have shorter timelines to production and the advantage of being already permitted. Accordingly, we believe UEC's projects are well positioned to advance with a sustained recovery in uranium prices and/or support from the US government (i.e., the proposed uranium reserve).

Strong government support for domestic production and nuclear energy

The US Senate passed a bill last year which approved the establishment of a national uranium reserve for the purchase of domestic uranium ($1.5 billion over 10 years). The Department of Energy filed a request for information regarding the reserve in August 2021, and a competitive procurement process is expected to be established sometime in 2022. It is still unclear to us whether the reserve will come to fruition, but in the case that it does, we believe UEC is well positioned as a potential recipient of support.

Reno Creek Pre-Feasibility Study on deck

We expect UEC to release the results of an updated Pre-Feasibility Study on the Reno Creek project by the end of this year. Reno Creek is the largest, permitted, pre-construction ISR project in the United States. Management is currently assessing the economics of constructing a central processing plant vs. toll milling at a nearby facility; one option is likely to be presented in the Pre-Feasibility Study.

Potential catalysts:

- **US strategic reserve.** UEC's Texas Hub & Spoke operation could directly benefit from the proposed strategic reserve
- **A production decision at the Texas Hub & Spoke operations** on the back of higher uranium prices or increased US government support
- **Reno Creek Pre-Feasibility Study**, expected before year-end
- **Updates on potential toll processing at Reno Creek** and implications for project timeline, budget, and cost structure

Maintain target price and rating: We have updated our model for our revised uranium deck price, and the appreciation of UEC's investment in URC and its holdings of physical uranium (2.3mlbs U_3O_8). As a result, our 12-month NAVPS has increased to US$4.11/sh, from US$3.27/sh previously. Despite the increase in our NAV, our target price remains unchanged as we have decreased our multiple to 1.0x NAV, from 1.3x NAV to better reflect current trading multiples.

Given the 38% implied return to our target, we reiterate our SPEC BUY rating.

Uranium Royalty Corp – let's get physical

URC-TSX: C$5.58 | SPEC BUY | C$7.00 TP (unchanged)

Uranium Royalty Corp (URC) provides both short-term and long-term leverage to rising uranium prices through its holdings of physical uranium and investments in uranium royalties on both current producing assets and future development projects. In this rising uranium price environment, URC has been the best performer under our coverage, with its shares up 282% YTD.

Let's get (more) physical

As detailed in our note Let's get (more) physical, URC recently agreed to purchase 300,000lbs of U_3O_8 at an average cost of US$38.17 per pound, an 18% discount to the spot price at the time of the announcement (US$45.25/lb). These pounds build on 348,068lbs purchased earlier this year, under URC's option with Yellow Cake plc.

Based on recent spot price performance (up 64% in one month), we estimate that URC's holdings have appreciation ~US$11 million. Going forward, we believe URC is likely to benefit from a continued upward trajectory of spot prices. Higher prices directly impact the value of URC's holdings and improve the likelihood that URC's royalty portfolio of development assets advance towards production and produce cash flow.

Balance sheet ready to execute

As of September 14, URC has C$80 million in cash, marketable securities, and holdings of physical uranium, in addition to C$6 million undrawn on its margin loan facility. The company also announced the launch of a US$40 million ATM program on August 18. In our view, URC's balance sheet is well positioned to execute on future royalty, stream, and physical uranium transactions, building on its momentum year-to-date.

Potential catalysts:

- Additional royalty and streaming acquisitions
- Additional purchases of physical uranium
- Uranium price movements

Maintain target price and SPEC BUY rating: We maintain our C$7.00/sh target price. Our estimates have been updated to reflect our higher uranium price deck. As a result, our target NAVPS has increased by 4%, and we maintain our SPEC BUY rating and target. Our C$7.00/sh target price remains based on 2.2x NAV, which reflects current trading ranges (~2.0x) and our view that uranium prices will continue to rise in the near term.

Given the 25% implied return to our target, we reiterate our SPEC BUY rating.

Yellow Cake – strong outlook at a discount

YCA-AIM £3.58 | BUY | £5.05 TP (previously £2.95)

Increasing our target price to £5.05; reiterate BUY rating: YCA is a physical uranium holding company, offering investors exposure to the uranium spot price through buying and holding of physical uranium. As such, the core driver of our view on the stock's target price is set by our uranium price outlook. Changes in our uranium price view (as outlined in this report), have resulted in a target price based upon a uranium price of US$65/lb (in line with our 4Q22 house uranium price view, and up from our previous assumption of ~US$37/lb used in our old target price). We note that while uncertainty remains around the near-term outlook for uranium pricing, due to the volatility created by increasing activity from Sprott, the US$65/lb price we use in our NPV calculation is also equivalent to our long-term incentive-level price assumption for uranium (incentive price discussion detailed earlier in this report), thus providing some level of fundamental comfort to our resultant target price. We set our target price based on a 1x P/NPV (rounded to the nearest 5p); we also note the difference between the NPV used to set our target price (which incorporates corporate costs, and our view of forward prices), and the spot NAV, which reflects a snapshot in time.

Incorporation of recent purchases: In our current NPV calculation we have also incorporated the company's recent uranium purchases (following the major capital raise in June), including a 2 mlbs acquisition from Kazatomprom at US$32.23/lb, and a smaller 550 klb acquisition from the spot market at an average price of US$32.35/lb. The acquisitions bring the total physical holdings to ~15.9 mlb, a ~70% increase in physical holdings since the beginning of 2021.

Looking forward: We expect YCA's price to progressively appreciate towards our target, as the uranium price similarly appreciates. This is unlikely to be in a linear fashion, as the competing drivers of Sprott purchases, fundamental demand and supply variations combine to drive spot uranium prices.

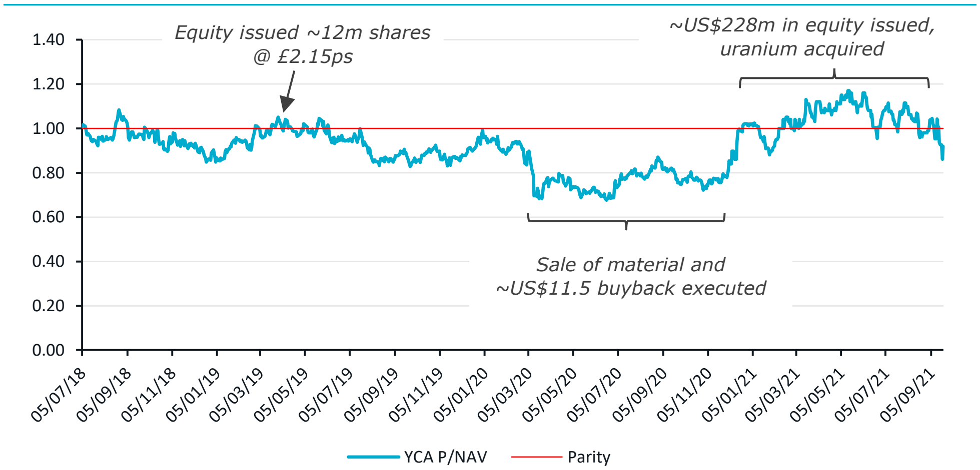
Corporate actions possible, but unlikely until short-term volatility subsides:

The company has a clear strategy to maximise value and influence the share price to track the spot NAV (based upon the spot uranium price):

- When trading at a premium to NAV, Yellow Cake tends to issue equity to fund additional uranium purchases.
- When trading at a persistent discount to NAV, Yellow Cake may sell uranium in order to buy back shares.

With both the underlying commodity price and the share price moving so rapidly of late, we believe it unlikely any large decisions will be taken in the short term, but do note that in the last week, as spot uranium prices have risen ~15%, a discount of ~8% to spot NAV has emerged for YCA (based on a spot price of US$50.38/lb), after trading at a premium for most of this calendar year.

Figure 17: YCA is currently trading at a discount to spot NAV



Source: Company reports, Canaccord Genuity estimates

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Date and time of first dissemination: September 22, 2021, 16:40 ET

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	959*	100.0%	

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